Austria .... Sch. 15	Indonesia .. Rp 7500	Portugal .... Esc 65
Bahrain .. Din 0.650	Italy .... L 1100	S. Arabia .. Rls 6.00
Belgium .... BFr 35	Japan Y550	Singapore . S$ 4.10
Canada .... C$2.50	Jordan .... Fils 500	Spain ...... Pta 95
Cyprus .. Mils 600	Kuwait .... Fils 500	Sri Lanka .. Rup 30
Denmark .. Dkr 7.00	Lebanon .. £L 8.00	Sweden .. Skr 6.50
Egypt ..... E£1.00	Luxembourg . LFr 35	Switzerland . SwFr 2
Finland .. Fmk 5.50	Malaysia .. Rm 4.25	Taiwan .... NT $65
France .. FFr. 5.50	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.00	Morocco .. Dh 6.00	Turkey ..... L 160
Greece ...... Dr 60	Netherlands . Fl 2.75	U.A.E. .... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 8.00	U.S.A. $1.50
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,149 — Wednesday October 19 1983 — D 8523 B

Reagan: up and almost running for 1984, Page 16

NEWS SUMMARY

GENERAL

U.S. plan to speed defence weapons

President Ronald Reagan's top defence and security advisers are recommending an accelerated $18bn to $27bn five-year programme to develop a new generation of space- and ground based defensive weapons.

They would be intended to destroy any incoming intercontinental ballistic missiles, and would use lasers and destructive beams.

The White House said it had not received recommendations, but denied suggestions that it would breach the 1972 Anti-Ballistic Missile Treaty with the Soviet Union. Page 4

E. German threat

East German lawyer Wolfgang Vogel, who negotiates the uniting of families divided by the Berlin Wall and the release of East German political prisoners from West Germany, said on West German television that these arrangements could end if new medium-range missiles were stationed in that country. Page 18

New Soviet cruiser

West German naval pilots have photographed a new generation of cruiser, with 24 missile launchers, off Scandinavia's North Cape.

Jailed for air sales

U.S. aircraft parts company vice-president Donald M. Malson, was jailed five years in Chicago, and fined $120,000 for illegal sales to Libya.

Indian arms deal

Soviet Union has agreed to supply India with its latest fighter, the MiG 31, in an arms deal that includes tanks, missiles, and other weapons. Page 18

Four die in Lebanon

Lebanon army tanks shot at grenade-throwing Shia militia in Beirut's southern suburbs. Four people, including two soldiers, were killed, and 10 wounded. Lebanon peace talks tomorrow, Page 5

Arafat rejected

Syrian-backed Palestinian commando group Saiqa said in Damascus that it no longer recognised Yassir Arafat as leader of the Palestinian Liberation Organisation.

'Iran plans attack'

Iraq said Iran had completed preparations for a new offensive in the three year old Gulf war. Iran said its anti-aircraft fire shot down an Iraqi military jet over Marivan, in Kurdistan.

Neo-Nazi trial opens

Eight Austrians and one West German went on trial in connection with a series of Vienna and Salzburg bombings aimed at Jews, and with possession of explosives.

Berlin women held

Five East Berlin women out of about 40 who wrote to local military chiefs protesting about plans to conscript women were detained by security officials, according to friends.

Briefly ...

Journalist Michael Mills, 56, has been nominated as the Republic of Ireland's first ombudsman.

Himalayan avalanches killed two Austrian and two West German climbers.

Gastro-enteritis has killed more than 90 people in two weeks in north-west Nigeria.

BUSINESS

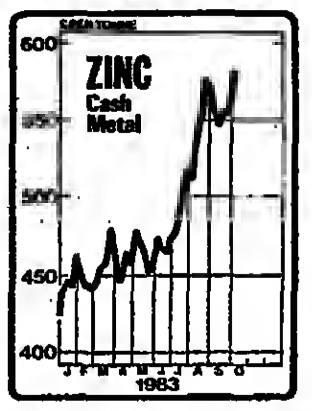
Frankfurt shares at 23-year peak

● FRANKFURT: Commerzbank index rose 7.9 to reach 989.7, a 23-year high. Report, Page 27. Leading share prices, Page 30

● LONDON: FT Industrial Ordinary index edged up 0.6 to 678.2. Some Government securities showed marginal falls. Report, FT Share Information Service, Pages 31–34

● WALL STREET: Dow Jones index closed down 17.89 at 1,250.81. Report, Page 27, full share listings, Pages 28–30

● TOKYO: Nikkei Dow index fell 71.84 to 9,349.06, and the Stock Exchange index dropped 4.49 to 621.29. Report, Page 27, leading prices, other exchanges, Page 30



● ZINC prices rose in London on fears of increases in European producer prices. Cash zinc closed £5.75 up at £580.25 ($870.67) a tonne. Page 36

● DOLLAR continued to lose ground, although it picked up before the close in Europe. It closed at DM 2.5845 (DM 2.603), FFr 7.903 (FFr 7.955), SwFr 2.0985 (SwFr 2.11) and Y232.25 (Y233). Its Bank of England trade-weighted index fell from 125.9 to 125.6. In New York it closed at DM 2.5905; SwFr 2.1030; FFr 7.930 and Y232.82. Page 37

● STERLING eased 10 points to $1.5005, and to DM 3.88 (DM 3.91), FFr 11.855 (FFr 11.9425), SwFr 3.15 (SwFr 3.1725), and Y348.5 (Y350). Its trade weighting was down from 83.6 to 83.3. In New York it closed at $1.50. Page 37

● GOLD rose $2.25 in London to $396.875, by $2.625 in Frankfurt to $397.25, and by $3 in Zurich to $397.5. In New York the Comex October settlement was $396.3 ($397.4). Page 36

● PORTUGAL is to borrow Esc 98bn ($784m) abroad, raise Esc 136bn from the domestic banking system and issue Esc 35bn in bonds and Esc 2.4bn in savings certificates to finance a 1984 budget deficit of Esc 172.6bn and repay Esc 98.8bn of public debt. Page 2

● TORONTO SUN group is to buy the Houston Post from the Hobby and Catto families for $100m. Page 4

● RUMASA, formerly Spain's largest private holding group, has lost at least Pta 42bn ($280m) since its appropriation by the Government nearly nine months ago, parliament's budget committee was told. Page 19

● COMMERZBANK, West Germany's third largest, plans to resume paying a dividend, after three blank years. Page 19

● CITICORP U.S. bank, raised nine-month net income 24 per cent, to $659m. Page 19

● VALORES Industriales, Mexico's second largest group, has agreed with its foreign bank creditors plans for rescheduling $1bn debts.

● CATERPILLAR TRACTOR of the U.S., world's biggest maker of construction equipment, lost $70m in the third quarter, taking its nine-month deficit to $334m. Page 18

Japan to accept U.S. import quotas on special steels

BY OUR FOREIGN STAFF

The Japanese Government yesterday signalled its willingness to give ground on some of the issues that continue to aggravate its relations with the U.S. and the EEC, its major trading partners.

Tokyo decided to accept the imposition by the U.S. of import quotas on three types of special steel, Mr Sosuke Uno, International Trade and Industry Minister announced.

Japan originally sought withdrawal of the U.S. global import quota imposed in July against Japan, the EEC and several other nations. It has now agreed to accept the restraint on the understanding that it will be given a "country allocation" within the overall U.S. quota of about 22,000 tons per year.

The limitation will be effective for the year ending July 19 1984, and will include an export quota for stainless steel bar, stainless steel rod and alloy tool steel, as well as import tariff increases by the U.S. on Japanese shipments of stainless sheet, coil and plate. U.S. imports of these products totalled 28,900 tonnes in 1982-83.

Japan, in turn, will have the right to negotiate for compensation for the effects of the penalty, as the EEC currently is doing in its dispute over the special steels issue with the U.S.

In July, President Ronald Reagan announced a programme of import quotas and tariffs intended to give the recession-hit domestic special steel producers relief from foreign competition.

Japan responded by seeking negotiations with the U.S. under the General Agreement on Tariffs and Trade. The U.S. took its action under Gatt article 19, which allows a country to protect a troubled industry provided the action affects all suppliers.

Foreign Ministry officials yesterday said Mr Yoshio Okawara, Japan's ambassador in Washington, had told the Prime Minister, Mr Yasuhiro Nakasone, that "despite a series of Japanese market opening measures, the U.S. trade deficit with Japan is expanding ... If left unsolved, trade will be a major issue in next year's (U.S.) presidential election campaign."

The latest Japanese moves follow Monday's decision by the EEC Council of Ministers to double the Community's tariff to 19 per cent on compact disc players, of which Japan is the main producer. The Council said it would continue to maintain its restrictions on Japanese imports. The move to increase the tariff on the disc players will require a majority vote.

Among the more contentious issues remaining to be resolved in Japan-U.S. bilateral relations are U.S. demands for a continuation of voluntary restrictions on car exports, more procurement from the U.S. by the para-statal Nippon Telegraph and Telephone Corporation, Japan's purchase of U.S.-made satellites and liberalisation of farm products trade, notably in beef and oranges.

David Brown in Stockholm adds: The Swedish Trade Ministry has announced details of an understanding with Washington which will exempt certain special steel

Continued on Page 18

Britain faces 'overshoot on borrowing target'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

MR NIGEL LAWSON, British Chancellor of the Exchequer, will tomorrow tell the Cabinet that the Government might be totally unable to meet its borrowing target for this year.

His view is based on figures published yesterday which show that the public sector needed to borrow £7bn ($10.5bn) in the first six months of the financial year, only £1bn short of the Government's target for the full year.

The Treasury's anxiety about the trend of borrowing was heightened last week by an official estimate that government spending was still running well ahead of planned levels. In the six months to September, departmental spending was 9¼ per cent higher than in the same period a year earlier. This was 4 percentage points ahead of the target rate of increase for the year as a whole.

Yesterday's figures for the Public Sector Borrowing Requirement (PSBR) showed a borrowing of £3.2bn for the three months to September, and £7bn for the first six months of the financial year.

After seasonal adjustment the borrowing requirement in the first six months was put at £4.7bn. However, the unreliability of adjustments was being strongly emphasised in Whitehall yesterday.

The figures were taken calmly by London financial markets. The City of London has for some time been expecting a borrowing overshoot for this year and has so far been able to absorb a very heavy programme of government funding.

It now seems likely that the Treasury is looking towards a borrowing overshoot of perhaps £2bn for the full year, although forecasts are always tentative at this stage in the year.

At tomorrow's Cabinet meeting, Mr Lawson is certain to point to this year's borrowing trend as an argument for being unflinchingly tough in the approach to next year's spending totals.

The Treasury still needs to cut about £1bn from the total bids from spending departments for 1984–85 if it is to achieve its target of £126.4bn for the year.

Although a saving of £1bn was described by one senior official as "chicken feed" compared with the overall magnitudes, Mr Lawson will point out that it is the equivalent of 1p off income tax or a 2 percentage point reduction in value added tax. It is expected the Treasury will have a hard battle to achieve its total without resort to what one former minister has called "higher mathematics."

The over-run of borrowing in the first half of this year appears partly to be a delayed reaction to the Government's exhortations a year ago for department and regional councils to increase their rate of spending.

Last year the Government was worried that an undershoot, particularly in capital spending, might injure the chances of economic recovery.

But this year, with a modest recovery established, and a consumer boom fuelled partly by subsidised mortgage lending, Mr Lawson is anxious to cram the spending genie back in its box.

Lex, Page 18

Du Pont agrees $600m buy-out of Conoco detergent interest

BY TERRY DODSWORTH IN NEW YORK

E. F. HUTTON, the Wall Street securities house, has agreed terms with Du Pont, the U.S. chemicals business, to accomplish a $600m management buy-out of the detergent manufacturing interests of the company's Conoco division.

The offer is thought to be the largest ever paid in the U.S. for such a corporate divestment. The new company would be called Vista Chemical Co.

Management buy-outs have been growing in popularity in the U.S. for some time, but over the last year or so they have become much more frequent in the public company sector.

Last month, a management group at Wometco, an entertainment, cable television and soft drinks conglomerate, announced plans to make the company private in a larger deal worth around $842m, but which involves the whole company, not simply a division of a much larger group.

The system usually involves the management and investment institutions taking a small equity stake in a buy-out company, which raises most of its finance from the big institutions in the form of debt.

One of the reasons for the growth of the activity recently is that the investment institutions have become more willing to put up funds in these highly-geared companies.

Neither Du Pont nor E. F. Hutton would say yesterday what the earnings of the former Conoco business were, but sales have been running at roughly $450m a year, and it has been consistently profitable.

The total payroll amounts to 1,600, and the assets comprise a self-contained vertically integrated business in the manufacture of chemicals for the detergent industry. These activities are widely dispersed in the U.S. and overseas in Argentina, Spain and Japan.

Du Pont said yesterday that its main purpose in the divestment was to shed a low growth business which did not fit in with its own more research-based approach to the chemicals sector. It is retaining other chemical assets acquired with Conoco such as the high density polyethylene business.

There were no specific plans for the use of the cash, which was not essential for the group's announced plan of reducing debt, said Du Pont. Borrowings were now down from a high point of $7.3bn to $5.6bn, and the company had a comfortable debt equity ratio of around 34 per cent.

Boost to Spain and Portugal's hopes on EEC entry

By John Wyles in Luxembourg

SPAIN and Portugal's efforts to join the EEC received a long-awaited boost yesterday when Community farm ministers finally swept away some of the two-year-old obstacles to the start of key negotiations on the agricultural conditions of their membership.

An early morning agreement was reached on revising the so-called "acquis communautaire." This is EEC jargon for the existing internal arrangements for producing and marketing fruit, vegetables and olive oil. It has come to mean protecting French, Italian and Greek farmers against Spanish competition.

As a result of the agreement Sr Fernando Moran, the Spanish Foreign Minister, was told in Luxembourg yesterday that the Ten would try to table proposals on the agricultural aspects of Spanish membership in December. Equivalent proposals for Portugal may be presented a month earlier.

Internal EEC disagreements could upset this timetable, and it is, in any event, only a partial victory since it does not settle any new arrangements to be applied to olive oil. This is a grave disappointment to Italy, which, bowing to its isolation in the Council of Ministers, dropped its insistence on an agreement protecting its olive oil producers.

Sr Moran said he thought the agreement to be a "positive development," but neither he nor EEC Ministers see it as guaranteeing a new impetus to negotiations which have dragged on for four years.

Spain and Portugal are hoping to be members by 1986, which means the negotiations – still less than half completed – must be wound up by the end of next year.

France's attitude remains crucial. What has happened so far means that Spanish fruit and vegetable produce will be forced to enter the EEC at a higher price than at present when the market for various products is oversupplied.

This should guarantee firmer prices for French and other producers, who will also benefit from an improved Community system for purchasing surplus products.

Bankers given assurance on Brazil deficit

BY PETER MONTAGNON IN LONDON

BRAZIL'S current account balance of payments deficit, expected this year to reach $7.67bn, and a major cause of the country's debt problems, should be eliminated by 1988, Sr Affonso Celso Pastore, the country's central bank governor said in London yesterday.

His statement to a press conference following a meeting with about 200 creditor banks was backed up by Mr William Dale, deputy managing director of the International Monetary Fund (IMF), who said that such a target was attainable.

It would mean that Brazil's foreign debt, which is currently estimated at around $90bn, should stop growing after 1988. Until then, it will continue to grow but at a steadily declining pace, Sr Pastore said.

The date 1988 is important because it is the year in which Brazil will have to start repaying the $6.5bn loan it is now seeking from creditor banks as part of the $11bn debt rescue package agreed in principle at last month's IMF meeting in Washington.

Sr Pastore was in London to drum up support for this credit, which is the largest single loan to be arranged for a sovereign borrower in the Euromarkets. Senior bankers admit that it is also one of the most critical, as without the fresh money it would be difficult for Brazil to avert a default on its foreign debt.

The London bankers' meeting was one of a carefully orchestrated series of presentations around the world designed to overcome the reluctance of smaller banks to increase their exposure to Brazil. Sr Pastore was at pains yesterday to assure bankers that Brazil is determined to stick to its austerity programme agreed with the IMF.

Also lending public support to Brazil's cause at yesterday's meeting was the Bank of England, whose executive director, Mr Anthony Loehnis spoke "forcibly" in favour of the loan, according to one banker present.

Executives of smaller banks at the meeting said there was a mood of "subdued resignation" about the loan. While few relish the thought of lending more to Brazil, most agree about the need for the present operation. During the meeting with bankers only one executive asked a critical question – about interest arrears which Brazil has promised to eliminate by the end of the year.

"The general feeling was that the presentation was more professional than those we saw last year," one banker said. Sr Pastore is widely reported to have made a particularly favourable impression on the

Continued on Page 18

BIS optimistic on Third World debt

BY OUR EUROMARKETS CORRESPONDENT

DEVELOPING COUNTRIES may just about be able to raise the $20bn in new loans from international banks they will need to cover their balance of payments deficit this year, according to new figures from the Bank for International Settlements (BIS).

The Basle-based BIS offers this modestly encouraging perspective on the developing country debt crisis in a commentary accompanying its second quarter figures for international lending. During the quarter, developing countries increased their borrowings from the banks, although lending as a whole stagnated.

Its conclusion marks a significant shift from the position three months ago when it warned that even some industrial countries might have difficulty covering their financial needs in 1983.

Growth of total international bank lending during the second quarter was "marginal," the BIS says, but non-oil developing countries raised an extra $4.2bn in new loans compared with only $1.2bn in the first quarter. Moreover, the increase does not reflect forced lending to Brazil and Mexico, which appears to have come to a temporary halt in the second quarter.

"If the recovery of spontaneous new lending to non-Opec developing countries ... is maintained in the second half of the year, and if, at the same time, there is a resumption of 'involuntary' lending to certain problem countries, an aggre-

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Details, Page 38

CONTENTS

Spain lays ambitious plans for electronics

By David White in Madrid

SPAIN WILL seek to double consumer electronics exports and step up computer industry growth by more thao a third esch year under a plan due to be approved shortly by the Government.

Covering the period to 1987, the plan is aimed at cutting the trade deficit in electronics in constant terms from last year's Pta 200bn (£884m) and reversing the tendency of domestic output to trail behind consumption and imports.

The ambitious targets, including average production increases of almost 19 per cent a year, at constant prices, follow contacts with companies in the sector, which include multinationals such as France's Thomson and the Dutcb Phillps group.

The draft plan foresees Pta 160bn (£707m) worth of state support: export and investment aid, buyers' credits and research subsidies.

Special emphasis is plared on computers, including software and services. Output in this sector is seen increasing by 35 per cent a year and exports hy 39 per cent, leading to 1987 levels respectively four and five times what they were last year.

The iolention is to hold import growth to 12 per cent a year while the Spanish market grows by close to 17 per cent. Spain's deficit in computer hardware is forecast to drop by almost a quarter.

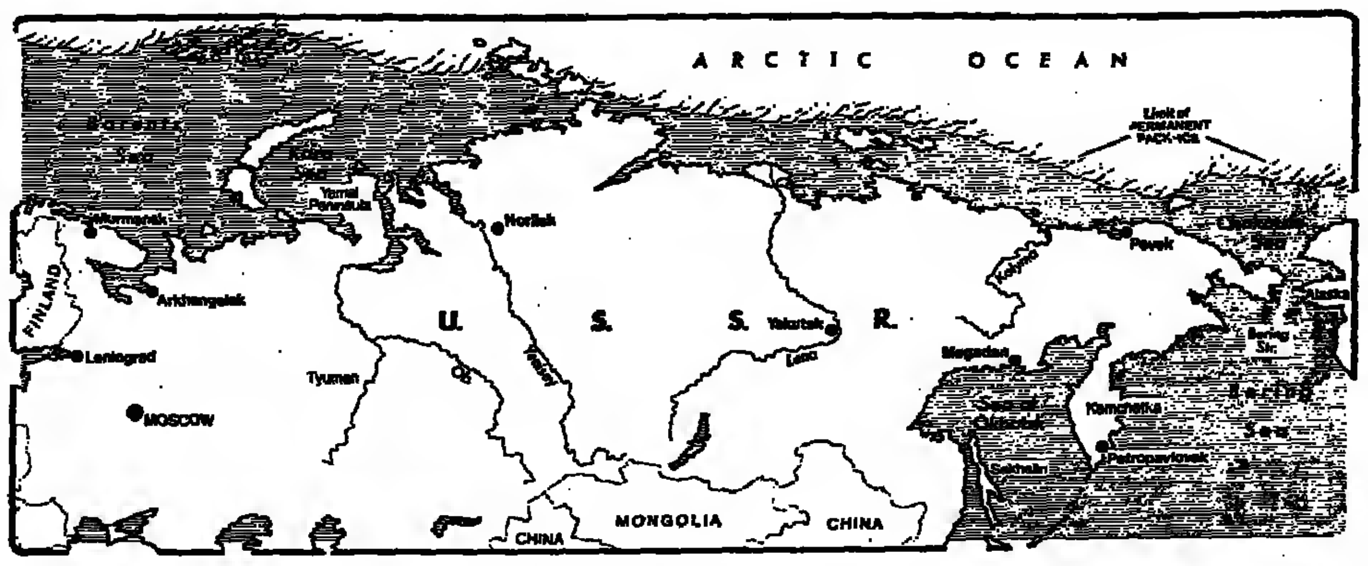
Targets for telecommunications and broadcasting equipment bring the trade balance in these products close to equilibrium at the end of the plan. Exports of all professional olectronics, including military, are seen rising by 18 per cent a year while the growth of imporls—concentrated in industrial uses, where the markot is expecled io double—is held to 4 per cent.

The country's fast-growing activity in television sets faces a drop in the Spanish market, but the plan envisages offsetting this with a sbarp surge io exports, turning 1982's deficit into a large surplus by the end of the plan.

Overall output in electronics is targeted at Pta 536hn (in constant 1982 terms) in 1987, an increase of 136 per cent. For exports, the targets imply a growth of almost 360 per cent.

Trapped ships pose problem for Siberia development

BY ANTHONY ROBINSON



AN EPIC struggle of men and ships against tho elements is taking place in the windswept frozen wastes of the Arctic. Four convoys totalling more than 40 Soviet ships risk being crushed in pack ice up to three metres thick in the Chukotsk Sea, north-west of the Bering Straits.

One freighter, the Nina Sagaidak, has already sunk and the crew of another, the Kolya Myagotin, has been taken off hy helicopter.

An emergency commission has been set up at the Arctic port of Pevek which is coordinating a rescue attempt by three nuclear-powered ice-breakers. This is led by the Leonid Brezhnev, which, under its former name, Arktika, became the first ship to sail to the North Pole six years ago.

The convoys are all victims of the early onset of winter after a particularly cold summer which prevented the normal summer melt of the previous winter's pack ice. Now, north-easterly gales and temperatures as low as minus 20 centigrade have packed the ice so thick that even the nuclear ice-breakers risk being caught fast or having their propellers damaged.

The crisis facing the northern merchant shipping lines not only carries with it the risk of losing many modern vessels, it also poses grave problems for future supplies to huge areas of Siberia.

There are few roads or railways in northern Siberia. But many deep, navigable rivers, like the Ob, the Yenisei and the Lena, flow from south to north and empty into the Arctic Ocean. For a very short period, often less than three months, these rivers provide access deep into Siberia.

They are the main means for supplying plant, equipment, food and other necessities to the isolated towns, oil and gas exploration teams and construction projects in the Siberian outback.

Norilsk on tho Yenisei, for example, is the largest city above the Arctic circle, with 200,000 inhabitants engaged in mining and smelting rich polymetallic ores of copper, nickel and other non-ferrous metals. It is almost totally dependent on the Arctic route for supplies and for shipping out ore and metals.

Steel pipes, drilling equipment and other supplies for the oil and gas rich Tyumen and Yamburg regions of western Siberia are also mainly delivered by river by the Arctic fleet.

In the north-east, the Lena is tbe main transport route for opening up the vast oil, gold and minoral deposits of Yakutia, and will remain so even when the proposed extension to the BAM railway moves north to the capital, Yakutsk, sometime in the 1990s.

The great Siberian rivers are also a source of hydro-electric power and many more stations are planned over the rest of the century.

High priority has been given in the current five-year plan to increasing the Arctic fleet and building ice-breakers with the aim of extending the shipping season eventually to an all-year service. Some 28 new specialised ice-breaking cargo vessels with an aggregate tonnage of around 300,000 dwt have been ordered from Soviet and Finnish yards.

Most of the new vessels are 20,000 dwt, with a draught of 10.5 metres and 40-ton lifting capacity cranes to provide direct transhipment on to river barges.

Earlier this year, the Soviet merchant marine proudly announced that a Finnish-built cargo ship of this new class, the Igarka had made the 5,000-mile trip from Leningrad to Pevek through hummock ice up to 2 metres thick by adopting ramming tactics, and bad sailed unperturbed through icefields 1 metre thick.

The new ships can be used olther as ro-ro vessels, container carriers or bulk transports and five are scheduled for delivery this year. New "soft containers" of densely woven fabric have also been developed for the polar routes alongside a variety of hover-craft and "air-cushioo" vehicles, to move cargoes to their final destination over elther permafrost or marsh.

In their haste to raise capacity on the Arctic shipping routes and extend the shipping season, Soviet planners appear, however, to have underestimated the risk to both men and ships posed by nature

Portugal unveils austerity budget

By Diana Smith in Lisbon

PORTUGAL PLANS to borrow Esc 98bn (£526m) abroad next year, according to the 1984 austerity budget unveiled yesterday prior to debate by Parliament next month. It will raise Esc 138bn (£731m) from the domestic banking system, and issue Esc 35bn in bonds and Esc 2.4bn in savings certificates.

These measures are intended to finance the country's Esc 172.6bn budget deficit and repayment of Esc 98.8bn of tho accumulated public debt of Esc 1.07 trillion (million million).

The budget forecasts current income next year of Esc 608.6bn, compared with Esc 487bn in 1983, with capital income of Esc 17.1bn (Esc 11bn).

Current spending, meanwhile, will rise to Esc 679bn (Esc 565.3bn) and capital spending to Esc 119.2bn Esc 11bn).

Tho Government has scheduled 1984 repayments of Esc 33bn of foreign debt. This stood at $14.2bn in April.

The bulk of foreign borrowing will finance planned investment and especially reproductive ventures.

Servicing of the accumulated public debt weighs more beavily on Portugal's budgets each year: 1984 capital repayments of Esc 98.9bn compared with Esc 60.5bn in 1983, while interest rises to Esc 219.5bn against Esc 147bn the previous year.

Bedevilled by a thriving black economy that some put at nearly 30 per cent of GDP, tho Government plans tough customs measures against smuggling and stiff complementary income tax rates in cases where "external signs of living standards patently conflict with declared income."

The administrative public sector deficit (which includes state enterprises) will be held to Esc 178.5bn or 6.4 per cent of GDP, in line with IMF requirements.

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Romania resists IMF calls for higher energy prices

BY DAVID BUCHAN IN BUCHAREST

ROMANIA is resisting pressure from the International Monetary Fund (IMF) for further increases in its oil and gas prices, whlcb bave been raised twice already this year.

Mr Iulian Bituleanu, the Romanian Deputy Finance Minister said in an interview here that further price increases particularly on gas were unacreptable.

The IMF, whlch currently has a three-year standby credit adjustment programmo with Romania, bas been urging Bucharest to closo the gap between its domestic energy prices and world levels, both as a spur to domestic production and as a curb on consumotion.

Reduction in Romanian imports of crude oil, which were recently being refined and re-exported at a loss, is seen as a key factor in preventing the country from relapsing into a debt crisis of tho scale that hit it in 1981-82.

The Romanian dispute with the IMF is over the means of solving the country's energy prohlems, not the policy goal itself. Mr Bituleanu said domestic oil production this year would be "at least Im tonnes bigher" than tbe 11.7m tonnes output of 1982, although it would still fall short of the 13.5m tonnes target for 1983.

He also said oil imports were lower this year, though official figures show this decline to be sligbt — 8m tonnes of coal equivalent in tho first balf of this year compared with 8.7m tonnes of coal equivalent in the same period of 1982.

Romania is the only Comecon oil and gas producer of significance behind the Soviet Union, hut it bas since the mid-1970s drawn increasingly on imports to keep its beavily oil-based industries going.

PRESIDENT Nicolae Ceausescu arrived in Valletta yesterday for a one-day official visit to Malta before going on to Egypt and Sudan for talks on military and economic co-operation, AP reports. The Maltese leaders will thank Mr Ceausescu for Romania's support of Malta's stand at the recent European security conference, in Madrid.

Romania sent an envoy to the island with compromise proposals, which broke a deadlock over Malta's insistence on a conference on Mediterranean security.

The Minister explained that after the energy price rises in January and July this year (prescribed by the IMF), the well-head price for domestic oil was "very near world levels."

He said there was a possibility of further price increases on oil used by Romanian industry, but not on gas.

"We are not near the world level on gas prices," be admitted. But Romania believed that international gas prices charged by exporters like the Soviet Union and Algeria were irrelevant to its case. More relevant were the pricing policies of countries like the U.S. and Canada which consumed most of their outpnt, and with these countries Romanian prices were comparable.

"Besides, why should we give ourselves another shot of inflation when other countries are reducing their inflation," Mr Bituleanu added.

Romania's IMF programme, due to run until the end of 1984 has been seen as a test case of the ability of an orthodox planned economy to adjust to the Fund's market medicine.

"We bave good and close relations with the IMF," Mr Bituleanu stressed

The Deputy Finance Minister pointed to overall progress in the Romanian economy, which bad chalked up a $711m (£474m) surplus on hard currency trade and a $426m surplus on current account in the first half of this year, though this was due more to import cuts than export increases. Mr Bituleanu said this put Romania on track for a trade surplus in 1983 of $1.6-1.7bn, up from $1.5bn last year, and for a current account surplus of $800-900m, compared to $655m last yoar.

Total foreign debt was down to $9.2bn by mid-year and would be below $9bn by the end of 1983, Mr Bituleano claimed. Foreign exchange reserves, whose previons low level was a source of IMF concern, were $675m by mid-1983, including a very conservatively valued amount of gold.

Having rescbeduled its debt repayments for the past two years, Romania was firmly set against doing so again in 1984, Mr Bituleanu said. The Ceausescu Government saw no reason for further rescheduling, with its 1983 debt payments to western banks and governments successfully renegotiated this summer and with some trade credit lines being re-opened by western governments. Canada bas recently renewed credit for tbe nuclear power plant it is building at Cernavoda In Romania. With the visit bere last week by Mr Malcolm Baldrige, the U.S. Commerce Secretary, the U.S. Export-Import bank is apparently ready to do business with Romania again.

Papandreou promise to fight corruption in private sector

BY ANDRIANA IERODIACONOU IN ATHENS

THE GREEK Prime Minister, Mr Andreas Papandreou, told an enthusiastic crowd of supporters in central Athens yesterday that his government is determioed to stick to a neutralist foreign policy and to impose a new code of business ethics on a traditionally corrupt private sector.

He was addressiog a celebration in the caplial's central Syntagma Square of two years of Socialist Government in Greece. Mr Papandreou's Pan Helleoic Socialist Movement, Pasok, ended almost half a century of right-wing rule.

"They ask us whether we are on the side of the West or the East. We say we are on the side of peace. Little Greece is in the front line of the fight of the people of Europe for detente," Mr Papandreou told the wlidly cheering crowd.

There were more cheers when the Prime Minister spelled out his government's crusade against corruption in the private sector. "A new wind is hlowing, sweeping away the sins of the past and bearing the message of a new ethic," he said. "The corruption which has shadowed the past of the privale sector must end."

Mr Papandreou made oo mention of the EEC. As opposition leeder he had promised to pull Greece out of the Community following e referendum. But his moderation on the EEC issoes was more than counterbalanced by a strong line against Turkey, Nato and the U.S. bases in Greece.

He also left no donht thet his Government intends to pursue a hard ideological line in both foreign and economic policy. He reiterated the Socialist commitment to opposing the deployment of Pershing 2 and cruise missiles in Western Europe and to creation of e nuclear-free "zone of peace" in the Balkans.

The Prime Minister also confirmed that the Government will cootinue to nationalise industries ln difficulties and take their managemeots to court if necessary. A month ago, the Government charged the managemeot of Hercules General Cement with fraud and this has apparently set the tone for its future approach toward the private sector.

Yesterday's gathering had a strongly pre-election air enhanced hy floodlighting, loudspeakers broadcasting left-wing ballads, a multitude of posters bearing Mr Papandreou's portrait and commemorative balloons aod buttons sported by Pasok faithful who bad reportedly flocked to the capital from all parts of Greece.

The Socialists ere only halfway through their four-year term and Mr Papandreou bas said repeatedly he will not go to the polls before 1985. But the energy put loto the anniversary gathering has reinforced speculation that he is keeping his options open.

The event drew the ecute criticism of Greece's right wing New Democracy Party which has eccused the Governmeot of burdening the Greek taxpayer with the expense of what they have dubbed "the fiesta.'

Britain warns Denktash

BY OUR ATHENS CORRESPONDENT

BRITAIN HAS again warned Mr Rauf Denktash, the Turkish Cypriot leader, not to declare indepeodence in the Turkish-occupled north of the island. Such a move could destroy the peace initiative launched in August by Sr Javier Perez de Cuellar, the UN secretary-general, which has the support of Britain.

Londoo is understood to have heen discouraging Mr Denktash from declaring independence sioce May. He renewed his threat last spring after quitting UN-sponsored inter-communal talks in Nicosia in protest at a Greek-Cypriot recourse to the UN.

His warnings were repeated earlier this month following unproductive meetings in New York with Sr Perez de Cuellar on the latest peace initiatives.

Ankara, from which Mr Denktash takes his cue, is understood to be reluctant to give a green light to the independence move.

Ireland gets ombudsman

BY OUR DUBLIN CORRESPONDENT

A JOURNALIST has been nomineted as the Republic of Ireland's first ombudsman. He is Mr Michael Mills, 56, the political correspondent of the Irish Press newspaper. Mr Mills' nomination, which has to be ratified hy the Dail, was announced by Public Service Minister Mr Jobn Boland.

The post of ombudsman wes first suggested es long ago aa 1969, and the legislative framework for lhe office was provided in 1980. Since then, the post has been in cold storage because of a shortage of funds.

The ombudsman will be responsihle for investigating complaints about administrative ections and delays suffered by people or corporate bodies in their dealings with the civil service. In making his investigations, the ombudsman will be empowered to seek the files of any government department and may question parties to any complaint and relevant officials.

Burger King plans $20m investment in Europe

BY LISA WOOD

BURGER KING Corporation, the world's second largest hamburger restaurant chain, is to speod $20m (£13m) on refurhishing and extending its outlels in Europe.

The Miami-based company entered the European market in 1978 but its performance in the highly competitive, expanding fast food market has been disappoioting.

While U.S. pre-tax profits—where the company has 3,200 out of its total 3,500 outlets—were $80m in the year to May 1983, losses incurred in overseaa outlets reduced the total pre-tax profit to $74m. Mr Paul Hoagland, the European director of fioance, said: "European outlets represented the majority of the losses."

At present Burger King, which makes the "Whopper" hamburger, has 69 outlets in Europe, nine of which are in the UK.

By 1987 Burger King aims to have 350 outlets with 50 in Britain.

Mr Hoagland said the problem to date had been a lack of aggressive and discriminating marketing. "It was shot-gun penetration of the market," he said, "and there were no economies of scale."

"The way we are now looking at Europe is that it will cost us money to make money."

In Britain, he said, the hamburger market, led by McDonald's, the U.S. leeder, was worth some 20 per cent of the total £850m restaurant and take-away market. Burger King, he said, had not even "scratched tha surface" of the UK market but was optimistic of tremendous growth potential.

Mr Bill Prather, senior vice president of Burger King and general manager of the European operation said the new stralegy would secure a "firm, lasting and profitable operation io Europe."

A wholly-owned subsidiary of the Pillsbury Company, Burger King has annual sales of over $2.8bn. About 85 per cent of Burger King food outlets are operated by franchisees.

SPD CHAIRMAN MAY BROADEN APPEAL OF PEACE MOVEMENT

Brandt set to address mass rally

BY JAMES BUCHAN IN BONN

HERR Willy Brandt, the former West German chancellor and chairman of the Social Democrat Party (SPD), is almost certain to be the main speaker at a mass rally in Bonn on Saturday, the climax of 10 days of protest and demonstrations against the deployment of U.S. nuclear missiles in the country.

The approval by the SPD presidium late oo Monday night of Herr Brandt's intention is a badly needed success for the West German "peace movement." It also confirms the SPD's all but complete hreak with the support of Nato policy still championed by Herr Helmut Schmidt, Herr Brandt's successor as chancellor until last year. "The motto is: It is time to say No," Herr Brandt, 69, said on television.

The invitation to the SPD chairman follows a wrangle within the peace movement's 26-strong "co-ordination committee," with the Greens, in particular, bitterly opposed. The Greens, who have entered local parliaments and the Bundestag, are desperately anxious that Herr Brandt's reformed Social Democrats will undermine their very existence.

But at a meeting on Sunday night, the groups calling for a "radicalisation" of the disarmament movement were roundly defeated by the mainstream protestant left, the communists and young Social Democrats. Only two small church groups voted against the Brandt invitatioo and the Greens were forced to abstain.

The chief feeling is thet a man such as Herr Brandt, who was voted into power at a time of comparable unrest and self-doubt in 1969, could help hroadeo the appeal of a movement which has brought tens of thousands of Germans on to the streets since last Thursday

Above all, it is hoped that a link with the SPD might remove some of the inhibitions of the trades unions which, despite a strong tradition of bostility to rearmament, have held themselves back. Only the more radical small unions, such as the printers and journalists and the teachers, have spoken out for industrial action

Craxi to reaffirm support of missiles

BY JAMES BUXTON IN ROME

SIG Bettino Craxi, the Italian Prime Minister, is expected to reaffirm Italy's commitment to installing cruise missiles in Sicily when he sees President Ronald Reagan this week as part of his U.S. tour, which he started yesterday.

The visit to the U.S., at the invitation of President Reagan, will also be an important demonstratioo of U.S. approval of Sig Craxi, Italy's first socialist Prime Minister.

To overcome possible U.S. suspicions about his government's politics, he has emphasised in an interview with the New York Times that his is a five-party coalition government in which the Socialists are in a minority.

After an unsuccessful attempt last month to find an opening in the deadlocked Geneva negotiations on the installation of cruise and Pershing missiles, Sig Craxi has accepted that, without a substantial change in the Soviet position, there is no chance of postponing of deployment of cruise missiles in Sicily from the end of the year.

The Italian government does not have to worry seriously about the Italian peace movement, which, although planning a big demonstration in Rome on Saturday, is much weaker than its equivalent in West Germany. That is partly because of the reluctance, for tactical reasons, of the opposition Communist Party to give it wholehearted support.

Italy has, however, some flexibility oo the cruise missile question, because work on the base at Comiso is behind schedule and the first missiles are not expected to be installed and operational before March or April next year. However, the launchers should arrive about the end of the year, wheo the deadline with the Soviet Unioo expires.

Although Sig Craxi is likely to be io broad agreemeot with the U.S. Government on the cruise missile questioo, he will be expressing his Government's reservations about other aspects of U.S. foreign policy.

Electronics pack more punch in U.S. arms

BY DAVID FISHLOCK, SCIENCE EDITOR

"THE USSR is pushing advanced technology hard, both developing it on their own and stealing it from us," Dr Richard Wagner, principal adviser on nuclear technology to the U.S. Defence Secretary, told a House of Representatives committee investigating nuclear weapon procurement last spring.

His words seem to have proved all too prophetic, with the revelation that a Californian electronics consultant has been passing U.S. secrets on nuclear electronics for the Minuteman missile to Eastern Europe.

If there is one area of technology where the U.S. believes it has consistently kept ahead of the USSR, it is in advanced electronics for its weapon systems.

For the past three decades one of the major lines of development in nuclear weapons has been in the associated electronics. Some U.S. nuclear weapons designers even say the electronics is the most important aspect of development since the thermonuclear weapon (H-bomb) was invented in the early 1950s.

Nuclear weapon design and manufacture is a substantial industry in the U.S., where it employs about 38,500 people and occupies a land mass the size of the state of Delaware, over 2,000 sq miles. The activity will cost the U.S. taxpayer well over $6bn (£4bn) this year.

Nuclear wearheads, though commonly referred to as nuclear bombs, are vastly more complex than conventional bombs. For example, the B61 freefall bomb currently in service with the U.S. Air Force has over 1,500 parts, produced by 570 suppliers under the guidance of nine primary contractors.

Electronics expert James Harper, accused of selling U.S. missile secrets to Poland, claimed to have up to 200 lbs of defence documents, according to counter-espionage agents, Reuter reports from San Francisco.

"I have somewhere around 40 secret documents dealing with ballistic missile defence," Mr Harper was quoted as saying in a Federal Bureau of Investigation affidavit.

Mr Harper, who made a brief appearance in a U.S. federal court in San Francisco yesterday charged with delivering national defence information to the Polish Government, is alleged to have received more than $250,000.

Mr John Cunningham, the acting director of technology at the U.S. Army's ballistic missile defence project office, said in the affidavit that the value of the information to Warsaw Pact military planners was beyond calculation.

Manufacture of those parts often involves materials, designs and processes right at the forefront of manufacturing technology, because of the precision and the reliability with which they are made.

U.S. nuclear warheads are designed in two big research centres at Los Alamos in New Mexico, where the first A-bombs were designed and built during the Second World War, and at Lawrence Livermore in California, since the early 1950s.

Close by each design centre, however, is a big laboratory concerned with nuclear ordnance design and engineering, in particular the associated electronics. This activity is the concern of the Sandia National Laboratories, managed by Bell Laboratories.

Dr Roger Batzel, director of Lawrence Livermore, distinguishes three generations of nuclear weapon. The first was the A-bomb, about a million times as powerful as the same weight of high explosive.

The second generation was the H-bomb, 1,000-10,000 times as powerful again. For the past few years his laboratory has been exploring a third generation of nuclear weapons, which if successful would prove a million times as powerful as the H-bomb. This is the directed energy weapon.

In the late 1950s it became clear that the second-generation warheads for strategic defence missiles were highly vulnerable to one of the main effects of the nuclear weapon, namely its radiation.

Highly penetrating X-rays, gamma rays and neutrons could wreak havoc among the myriad electronic circuits of such a warhead.

A major trend in weapon design is aimed at enhancing this radiation effect, by reducing the yield of energy released as heat and blast, and channelling more of it into radiation. This trend became public in the 1970s as the enhanced radiation warhead or "neutron bomb."

The new W79 warhead designed by Los Alamos for the eight-inch shell of the U.S. Army delivers less heat and blast than the A-bombs dropped on Japan. Most of its energy is released as radiation to knock out the electronic circuits of tanks and the neurological circuits of their crews.

Recognition of just how vulnerable the early nuclear weapons were to radiation — the so-called electromagnetic pulse (EMP) — set in train a massive search for electronics resistant to radiation for the vital roles of arming and fusing nuclear weapons, and for the guidance circuits of missile warheads.

Gallium arsenide proved a thousand times more resistant and, although a much more troublesome material to work with than silicon, has been developed by Sandia to the stage of very large integrated circuits —chips—for warheads that are highly resistant to both radiation and heat.

Sandia is also equipped with the massive apparatus needed to simulate nuclear radiation effects, not only on warheads and their components, but on entire weapon systems, such as a bomber a tank or a missile. At the laboratory in Albuquerque, New Mexico, a complete system can be evaluated for "radiation hardness."

Another vital role of electronics in nuclear warhead design is to ensure the safety and reliability over a very wide span of environmental conditions, such as a fire following the crash of a railcar carrying it from a factory, or the crash of a bomber armed with nuclear weapons.

When a hammer dropped into a U.S. Titan missile silo a couple of years ago causing the missile to release its warhead across the countryside, the head of Britain's nuclear weapons development was told afterwards he was probably the only Briton in the U.S. at the time who was not scared by the accident. He knew just how robust a nuclear warhead is.

As the electronics have shrunk with increasing miniaturisation, nuclear weapon designers have used the extra space not to pack in more explosive—yields, in fact, have been falling steadily—but to pack in more safety. The W79 shell will have a yield of only 2 kilotons of high explosive, compared with the estimated 15 kilotons of the A-bomb dropped on Hiroshima.

All new U.S. warheads—the W79, cruise and Pershing warheads, for example—include a new high explosive developed at Los Alamos as the trigger which brings the fissile metal components together fast enough to cause a nuclear explosion. This high explosive is so insensitive that it will not detonate even if the bomb is accidentally dropped from an aircraft.

In addition, the warhead has as many as seven electronic safety systems, including the "arm" which is added only when the warhead is being readied for use. During the 1970s the U.S. designers built in still more electronic safety, including greater resistance to any unauthorised attempt to arm a stolen weapon.

But the skills of the U.S. nuclear weapon designers in electronics may prove to have their most dramatic impact of all in the design of third generation nuclear weapons.

These were conceived at Lawrence Livermore in the 1970s, when Dr Batzel, the director, invited some of his physicists to start thinking about an entirely new type of weapon.

Pentagon seeks funds for development of laser weapons

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan's top defence and security advisers are recommending an accelerated $18bn (£12bn) to $27bn five-year programme to develop a new generation of space and ground-based defensive weapons to destroy incoming Soviet intercontinental ballistic nuclear missiles.

The programme, approved by Mr Caspar Weinberger, the Defence Secretary and Mr William Clark, the outgoing National Security Adviser, is designed to develop ideas for a 21st-century defence system, using lasers and other destructive beams, first outlined in Mr Reagan's famous "star wars" speech of last March.

The White House said yesterday it had not yet received the recommendations but denied charges by the system's opponents that it would breach the 1972 anti-ballistic missile (ABM) treaty with the Soviet Union.

Under the treaty, both sides agreed "not to develop, test or deploy ABM systems or components."

Mr Larry Speakes, the White House spokesman, said the U.S. could go a considerable way in research and development without conflicting with the treaty.

The ultimate hope, in any case, was that development of such defensive capabilities would enhance Soviet-U.S. mutual security and lead to a more comprehensive arms control treaty, he said.

The system's many opponents have argued that the new weapons can only lead to a new arms race in space and prompt the Soviet Union to redouble its efforts to build new and more effective offensive weapons.

The options to be put to Mr Reagan reportedly range between spending $27bn over the next five years, leading to deployment of the first "layer" of a total defence system by the year 2000, and spending somewhat less to prepare for deployment in the next century.

The highest level of funding would mean a 50 per cent increase in current total Pentagon spending on scientific and technological research.

The technologies proposed for study reportedly include both space and ground-based laser weapons, including an X-ray laser powered by a nuclear blast in outer space, infra-red sensors and laser tracking equipment

Mr Caspar Weinberger

Washington shifts stance on Iran-Iraq conflict

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE U.S. warned it does not plan to be blackmailed by Iranian threats to close the strategic Gulf Straits of Hormuz. The warning was seen in Washington as a slight shift away from the strictly neutral stance the Reagan Administration has so far maintained in the Iran-Iraq war.

At the same time, Washington appears to have decided to treat France's delivery of five Super Etendard aircraft to Iraq as a fait accompli and not to make a further issue out of it.

Iran has warned it will close the straits, halting all oil shipments from the Gulf, if the Super Etendards, which are equipped with Exocet missiles, attack its oil facilities or tankers in the Gulf.

Speakin after a visit to Canada on Monday, Mr George Shultz, the U.S. Secretary of State said: "We don't want to get ourselves into the position where the Iranians, or for that matter anybody else, says 'if you do X or fail to do Y, we'll do something about the Strait of Hormuz and you'd better not do that.'"

The Reagan Administration has shown mounting frustration in recent weeks because its neutral policy has not given it little leverage over the combatants in a war which it regards as potentially capable of seriously damaging Western interests.

The future of the Administration's entire Middle East policy is currently under review.

Meanwhile, the Treasury said Mr Donald Regan, the Treasury Secretary, is to visit Saudi Arabia next week to promote bilateral economic links.

Officials said, however, that the potential economic consequences of a Gulf blockade could dominate the talks if the conflict worsened.

Argentina battles on with debt rescheduling

By Our Buenos Aires Correspondent

THE ARGENTINE Economy Ministry yesterday denied that the boards of several state companies were about to resign, and said that negotiations were "proceeding" with foreign banks on the rescheduling of some $6bn (£4bn) of public sector debt.

Ministry officials were commenting on reports that resignations had been threatened by the directors of the state utility Agua y Energia and at least two other state companies unless the Government agreed to postpone the rescheduling of the debts until after the elections of October 30.

The officials emphasised that a priority for the Government was to draw the first installment of the $1.5bn medium-term loan which Argentina has been promised as part of its debt rescue package.

The steering committee in charge of Argentina's debt talks has telexed more than 200 other creditors recommending that the first $500m installment should be disbursed by October 28.

But some foreign banks have indicated that they would like to sign some of the outstanding rescheduling arrangements with 30 state companies before then.

There is still confusion in Argentine Government circles as to how the banks' wishes can be reconciled with the growing opposition from hard-line nationalist sectors to the public sector rescheduling in an increasingly volatile pre-electoral atmosphere.

Signs of a continuing split in the ruling military junta on the debt issue re-emerged on Monday when President Reynaldo Bignone issued a statement supporting the current debt negotiations. The Air Force had criticised the talks at the weekend.

Violence feared after election

THE spectre of political violence in Argentina following the elections on October 30 has re-emerged following scuffles between rival groups of the Peronist Party, the campaign favourites, writes Jimmy Burns in Buenos Aires.

The scuffles broke out as Sr Lorenzo Miguel, the party's Vice-President, addressed a crowd of nearly 200,000 in Buenos Aire's Velez football stadium—the biggest political turn-out since last December when nearly 500,000 people staged a demonstration against the military regime.

Nicaragua debt agreement

Agreement has been reached in principle over the renegotiation of approximately $140m (£92m) owed by Nicaragua to a consortium of more than 100 foreign banks, according to Sr Luis Figueora, head of the country's central bank, writes Tim Coone in Managua.

Negotiations with the committee representing the creditor banks had gone "very well," he said. "They understand our problems over paying at this moment as a result of floods and drought last year, and now the attacks by the counter-revolutionaries."

Early presidential appointment of Fed chairman approved

BY STEWART FLEMING IN WASHINGTON

THE Federal Reserve Board responded to political pressures yesterday and approved Congressional proposals which would permit an incoming President to appoint a new Fed chairman one year and one month after taking office.

In testimony before Congress on the proposed Federal Reserve Modernisation Act, Mr Paul Volcker, the Fed chairman, said: "The board believes there is merit in providing a consistent relationship between the term of the chairman of the Federal Reserve with the term of the President."

But in a move which is aimed in part at underlining the symbolic independence of the central bank, he stressed that the appointment of the chairman should be separated from the political appointments a new president makes on taking office.

"There is a sound basis for making the four-year term of the chairman begin on February 1 of the year after the president's term of office commences (as proposed in the legislation). Such an alignment would permit a president to nominate a chairman relatively early in his term, but at a point in time somewhat removed from the series of political appointments required at the very start of a new Administration," he added.

At present the beginning of a chairman's term is an accident of history, a product of the timing of previous appointments, resignations and expirations of the term of a chairman as one of the seven-member board of governors.

The governors are appointed for a 14-year term, and one of the governors is appointed chairman for a four-year renewable term. Thus a new president may not always be able to appoint a chairman shortly after his election.

A shift towards giving the president the right to appoint a Fed chairman early in his term will be seen in some quarters as carrying with it an increased risk of the "politicisation" of the central bank.

Officials point out, however, that as long ago as 1976 the then chairman, Dr Arthur Burns, accepted the principle of presidential appointment of the chairman of the Fed.

Indeed the subsequent history of Dr Burns own tenure, which included two years of increasingly bitter and public conflict on economic policy with the incoming Carter Administration, has helped to convince some officials that by giving an incoming president the right to appoint a chairman, subject to Senate confirmation, the chances of a better co-ordination of fiscal and monetary policy could be increased.

Taxmen seize $22m of assets in Rich case

BY PAUL TAYLOR IN NEW YORK

THE U.S. Internal Revenue Service (IRS) has seized $22m of assets belonging to Clarendon, the commodity trading company which was formerly part of the Swiss-based Marc Rich group.

The $22m was seized from Clarendon bank accounts by the IRS as part of a $90m "jeopardy assessment." The IRS feared it might otherwise not be able to collect back taxes, penalties and interest it claims could be owed by the company.

The IRS has sought to seize the Clarendon assets as part of the increasingly complex Marc Rich affair, which has already led to charges of racketeering, fraud and tax evasion against the Swiss-based company and its U.S. subsidiary, Marc Rich International, which was sold to a group of Marc Rich principals on June 30 and renamed Clarendon.

The seizure was revealed in court papers filed in New York. If it is found that Clarendon does not owe back taxes the assets would be returned with interest.

The "jeopardy assessment" has been fiercely opposed by lawyers for Clarendon and a group of banks which claim they have a "senior and superior" right to the funds.

Clarendon claims the seizure is unjustified because it has acted in good faith and fears that the seizure could force it out of business.

Last week, a judge ordered that Marine Midland Bank should be allowed to process $231,000 in pay cheques for Clarendon employees—if necessary out of the seized funds.

Toronto newspaper group takes over Houston Post

BY NICHOLAS HIRST IN TORONTO

THE Toronto Sun newspaper has made its own news with an agreed $100m (£66.7m) acquisition of the family-controlled Houston Post.

The downmarket tabloid announced the deal yesterday with the banner headline "What a state we are in. . . Texas."

The Sun, which started on a shoe-string 12 years ago, has been running an effective advertising campaign by affectionately calling itself "The little paper that grew."

With the acquisition of the morning Houston Post, the second largest newspaper in the Texas oil city and the 17th largest in the U.S., the Toronto Sun group is becoming less of a "little paper" and more of a newspaper publishing empire.

The money for the acquisition will come in part from the C$54m (£29.3m) the Toronto Sun Publishing Corporation, the quoted controlling group of the Sun, received from the sale of a 49 per cent interest to the Maclean-Hunter, Toronto-based publishing group, last year. The Sun group has paid an undisclosed amount for the Post's working capital.

The Toronto Sun, using a Murdoch-style formula with racily written news, right-wing comment and page three pictures of attractive girls, made profits of C$7.8m in the year to April 30 1983, compared with C$4.3m a year earlier.

Military try to trip Brazil front-runner

BY ANDREW WHITLEY IN RIO DE JANEIRO

YOU would have thought that Brazil had enough on its plate in coping with its gravest economic crisis in half a century. But it is currently also in the grip of a distracting political turmoil over the succession to President Joao Figueiredo — a full 17 months before he is due to hand over power.

Although Gen Figueiredo is not due to step down until March 1985, thus ending 21 years of military rule in Brazil, an ambitious outsider to the ruling establishment is already emerging as the man to beat, much to the alarm of the President himself and the hierarchy of the officially backed Partido Democratico Social (PDS).

He is Sr Paulo Salim Maluf, 52, son of a poor Lebanese immigrant, wealthy businessman and former governor of the state of Sao Paulo.

With an assiduous U.S.-style campaign, travelling around Brazil in a hired jet, Sr Maluf has already amassed — by his own count — the support of over half the delegates to the election convention of his party, the PDS, next September.

Under present rules, the party has the ultimate say in who will be president because it dominates the electoral college which will nominate Gen Figueiredo's successor.

The President himself insists Sr Maluf is unacceptable. To counter his progress, Gen Figueiredo has unofficially allowed the two other leading contenders for the succession, Sr Mario Andreazza, the Interior Minister, and Sr Aureliano Chaves, the Vice-President, to launch their own campaigns.

They will have to work extremely hard to catch the populist Sr Maluf. Up to now, he has always won in his tilts at the party hierarchy, shrugging off every rebuff from the Palacio do Planalto, the presidential office in Brasilia and the PDS high command.

Sr Maluf emerged as a front-runner for the succession well before last November's national elections, in which he was elected a deputy in the Federal Congress after retiring as Sao Paulo governor. But the President and his aides were nonetheless confident that they could hold off the challenge until they had sorted out Brazil's economic woes.

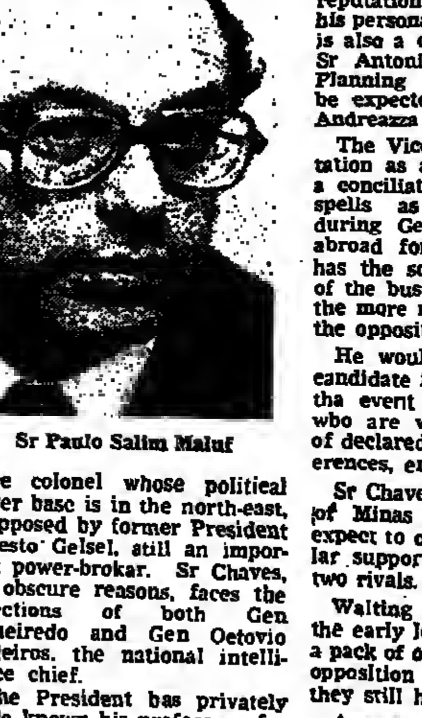
What the President's man and the other potential candidates did not count on was the way the financial crisis has deepened. This has fuelled Sr Maluf's ambition to tie up the PDS nomination as early as possible.

The irrepressible Sr Maluf is handicapped by a somewhat unsavoury reputation and by opposition to him both from the President and the military.

But the other contenders, Sr Andreazza and Sr Chaves, are also dogged by hostility from key sectors of the Brazilian establishment.

Sr Andreazza, a former air force colonel whose political power base is in the north-east, is opposed by former President Ernesto Geisel, still an important power-broker. Sr Chaves, for obscure reasons, faces the objections of both Gen Figueiredo and Gen Octavio Medeiros, the national intelligence chief.

The President has privately made known his preference for the Interior Minister, who became the first to announce his candidacy formally, and now spends most of his time gathering potential votes with such moves as releasing scarce federal funds for politically advantageous development projects.



Sr Paulo Salim Maluf

The Interior Minister has a reputation as a big spender, in his personal and public life. He is also a close political ally of Sr Antonio Delfim Netto, the Planning Minister, who could be expected to stay on in an Andreazza administration.

The Vice-President, his reputation as a good manager and a conciliator enhanced by two spells as interim president during Gen Figueiredo's trips abroad for medical treatment, has the solid support of most of the business community and the more moderate elements in the opposition parties.

He would be the consensus candidate for the presidency in the event that the other two, who are well ahead in terms of declared party member preferences, end up in deadlock.

Sr Chaves, a former governor of Minas Gerais state, could expect to obtain far more popular support than either of his two rivals.

Waiting in the wings for all the early leaders to trip up are a pack of other government and opposition politicians who think they still have a chance.

Among them are Sr Marco Maciel, an intellectual ex-Pernambuco governor, Sr Tancredo Neves, a veteran politician and the present governor of Minas Gerais, and Sr Helio Beltrao, a liberal minister.

In August, Gen Figueiredo was forced to attempt to take control of the succession process to prevent the erosion of his own authority and the likely collapse of Brazil's hard-won agreements with its foreign creditors.

But with Sr Maluf still making all the running, the President is now doing his best to cool down the over-heated domestic political atmosphere. He said this week he would only name his own choice next March.

Between now and then much could hange to force the President's hand. One prospect, still remote but not being dismissed, is that an exasperated, ailing Gen Figueiredo, fed up with his own quarrelling supporters, may suddenly announce he is standing down early, advance the date of the elections and change the rules to allow a direct poll.

Direct elections are, unsurprisingly, much more popular with the electorate and the Press than they are with the politicians themselves. In August, an opinion poll revealed that 79 per cent of Brazilians wanted to vote directly for their next President.

If such an election were held today, the likely winner would be Sr Leonel Brizola, the radical firebrand of the past and arch-demon of the military, who last November was elected Governor of Rio de Janeiro state.

OVERSEAS NEWS

Lebanon peace talks to start tomorrow

By Nora Boustany in Beirut

THE LEBANESE Government said yesterday that peace talks—delayed for nearly three weeks because of quarrels among the warring factions over a venue—wonld start tomorrow at Beirut International Airport.

The announcement, made on Beirnt Radio, followed talks in Damascus between Mr Walid Jnmblatt and Saudi mediators, in which Mr Jumblatt asked for the "national reconciliation" conference to meet at the airport under the guard of the multinational peace-keeping force. U.S. Marines are stationed at the airport.

The aim of the talks is to detiver a revised power-sharing formula to redress further the balance among Lebanon's Christian and Moslem communities.

Despilo the prospect that full-scale peace talks will at last take place, however, the country's fragile ceasefire came under more pressure yesterday as the capital's sonthern suburbs resounded to the thud of tank-fire and rocket-propelled grenades in a widening conflict between the Lebanese Army and the Shia Moslem population.

The fighting, which resulted In the death of two Lebanese soldiers and the injury of three others, was provoked by a rocket-propelled grenade assaull on army positions in the Galerie Semaan district, Western military observers said.

Tbe troops riposted immediately and fired into the direction of Bourj al Barajneh and its surroundings, where the attack was coming from, they added.

Voice of Arab Lebanon, organ of the Sunni Moslem Murabitoun milltia, reported that at least two civilians were killed and 10 others wounded.

Israeli Cabinet approves hardliner

MR YIGAL Cohen-Orgad, Prime Minister Yitzhak Shamir's appointee as Finance Minisler, won unanimous Cabinet approval yesterday, setting the stage for parliamenlary approval, according to Israel Radio, Renter reports from Tel Aviv.

Doubts grow over race reforms in S. Africa

By Bernard Simon in Johannesburg

THE South African Government's hints of race reforms have been questioned following a Cabinet Minister's threats to evict coloured and Indlan residents from "white" suburbs in Johannesburg.

In a controversial statement, Mr Pen Kotze, the Minister of Community Development, said that "drastic" legislation would be drawn up to discourage coloureds and Indians from moving into areas reserved for whites in terms of the Group Areas Act.

The measures will probably include penalties on landlords who rent properties to "illegal" residents.

Mr Kotze was visiting the lower-income Johannesburg suburb of Mayfair where dozens of Indians and coloured families have moved recently as a result of a severe housing sbortage in black areas.

About 10,000 families are at present on official waiting lists for bouses and many more are looking for accommodation.

The action against "illegal" residents in white areas has been prompted partly by complaints from some Conservative whites.

But it also reflects a clear shift in government campaigning tactics for next montb's referendum on the new constitution.

Initially, the ruling National Party concentrated on wooing moderate English-speaking voters. But it has switehed its attention more recently to far-right Afrikaners, who are concerned that the constitution is a step towards widespread racial integration.

Coloured and Indian leaders are incensed at Mr Kotze's statement, especially his remark that "thes people didn't live in the sky before they infiltrated Mayfair. They can go back where they came from."

Mr Allan Hendrickse, leader of the Labour Party, threatened to review the party's support for the government's constitutional proposals.

● Black workers at the Rand refinery near Johannesburg plan to strike after rejecting a pay offer, the National Union of Mineworkers said, Reuter reports.

Nigeria puts the emphasis on economic management

By Quentin Peel
Africa Editor

PRESIDENT Shehu Shagari of Nigeria has signalled his clear inlention of overhauling his administration, making economic management a priority, with his comprehensive reshuffle of both Ministers and Presidential advisers.

Only seven out of 45 former Ministers are included in the list of names submitted by the President to the Senate for confirmation, while only two of the 10 former Presidential advisers have been retained.

Tbe shake-up goes considerably further than was expected in Lagos, but is in line with President Shagari's insistence that all members of the former regime resign and vacate their offices to make way for a new team.

A revamped administratioo also fits in with the tough inauguration speech made by the President two weeks ago, when he gave a warning of further cuts in government spending on projects; a structural adjustment process to stabilise the economy for long-term growth; the creation of a national planning commission directly responsible to the President's Office; and an inquiry to re-examine the structure and organisation of the civil service.

Three men closely involved in economic policy in the previous government have disappeared in the reshuffle: Mr Victor Masi, the Minister of Finance; Professor Emmanuel Edozien, the economic adviser to the Presideot; and Chief Theophilus Akinyele, the budget adviser.

No Ministerial portfolios have yet heen awarded, because the list of 35 names—10 fewer than before—has yet to be approved by the Senate. However, the powerful Presidential advisers have been allocated tbeir responsibilities, and include several very experienced men.

The crucial energy portfolio remains the responsibility of Alhaji Yahaya Dikko, and will apparently continue to be controlled within the Office of the President, rather than having a separate Ministry.

Chief Philip Asiodu, the new economic adviser, was formerly one of the three top civil servants during the Gowon regime, whose key job was as permanent secretary for energy. He is regarded as hoth tough and very able.

The list of Ministers includes two key names from the former administration, Albaji Umaru Dikko, who was Minister of Transport and cbairman of the President's re-election committee, and Mallam Adamu Ciroma, former governer of the Central Bank, and most recently Minister of Agriculture.

In his inauguration speech, President Shagari said he intended to "re-appraise and re-order our priorities," in the light of the country's economic problems, precipitated by the international oil glut. He gave a warning that the forthcoming hudget would include selective expenditure cuts.

The speech was clearly directed at the International Monetary Fund, from whom Nigeria hopes to borrow some $2bn, and the World Bank, wbich is talking about a structural adjustment programme.

President Shagari

Britain conciliatory on Hong Kong's future

BY ALAIN CASS, ASIA EDITOR IN HONG KONG

BRITAIN IS expected to take a more conciliatory approach in today's talks in Peking on the future of Hong Kong. The move is seen as an effort to break a potentially damaging deadlock.

The British team, led by Sir Percy Cradock, Britain's Ambassador in Peking and adviser-designate to 10 Downing Street, is understood ta have three objectives for the two-day talks:

● Establishing a "warmer" relationship after weeks of sustained attacks by Peking against Britain for taking a "colonialist" attitude in the negotiations.

This is understood to include a particular effort to persuade China that Britain regards its role in Hong Kong merely as a "caretaker." Tbe term "caretaker" is not, it is emphasised, meant to imply that Britain is willing to conceda sovereignty to China.

It does, however, suggest a greater degree of flexibility in the British position.

● The start of substantive negotiations as soon as possible. In the four rounds so far, the two sides have apparently confined themselves to stating their positions and are not, as one observer put it, "on the same wavelength."

● The setting up of small working parties by the two sides to look into specific issues related to Hong Kong after 1997.

That is the date wben the lease over the New Territories and the Kowloon Peninsula runs ont. Hong Kang Island was ceded to Britain in perpetuity in an 19th century treaty which China disputes.

Sir Percy is carrying a letter to Chinese leaders from Mrs Margaret Thatcber which is likely to be seen in Peking as a response to the recent tirade against Britain.

The British team is expected to renew its efforts to persuade China to set aside the thorny issne of sovereignty, at least for the time being, and concentrate on the more important issues of administration for Hong Kong after 1997.

The new British approach appears to have been carefully prepared as part of a wider strategy. This includes the measures at the weekend in the territory to support the ailing Hong Kong dollar. These measures, centred around the pegging of note issues at Hong Kong $7.80 to its U.S. counterpart, yesterday appeared to be having the desired effect.

The dollar ended the day on tbe foreign exchange markets at 7.86-7.89 to the U.S. dollar, slightly firmer tban yesterday. The Hang Seng index also ended the day higher, after yesterday's increase, at 790.04, a rise of 18.49.

Tbe measures to stabilise the dollar are regarded as psychologically important hecause China has persistently accused Britain of letting the currency slide uncontrollably to strengthen the British bargaining position.

After tbe last two-day talks in September, the currency dropped to a record low of HK$9.52 to the U.S. dollar.

Ivory Coast austerity to be stepped up

By Peter Blackburn in Abidjan

PRESIDENT Houphouet Boigny of the Ivory Coast is expected to announce measures to deal with the country's financial problems following his return to Abidjan after a five-month absence.

During a working vacation split between Switzerland and France, President Boigny made official visits to the U.S., Canada and the UK, and attended the Franco-African summit in Vittel.

The 78-year-old President announced that a meeting of the country's National Council would be held shortly. Several major decisions are likely to result including:

● Further economic austerity measures, such as cuts in higber education scholarships for study abroad, to reduce foreign exchange outflows.

● A government reshuffle and a reductioo in the number of Ministers from the present 34.

● Steps to tackle the upsurge in crime, directly related to the economic recession. Expatriates, especially the large French community, have expressed growing alarm at the increase in armed attacks.

Ivory Coast is facing continuing serious economic problems, more than two-and-a-half years after it began a three-year stabilisation programme with the backing of the International Monetary Fund.

Despite the programme, medium and long-term public debt is expected to reach $7bn by the end of this year.

UN looks at N. Korean charges

SEOUL – The United Nations Command (UNC) said yesterday it was investigating two charges by North Korea that South Korea had fired on and infiltrated its territory.

The official North Korean news agency (KCNA) monitored in Tokyo, said yesterday that South Korean soldiers "fired many precision shots from automatic weapons" at a North Korean post in the eastern sector of the demilitarised zone dividing the peninsula.

The agency also said two South Korean high-speed boats infiltrated into northern territorial waters off Changsan Cape on the West Coast just before dawn yesterday.

It termed the intrusion "a premeditated act designed to further aggravate the situation." A UNC spokesman said both allegations were being investigated and the outcome of the probe probably would be known later today.

The UNC had denied a previous charge by North Korea last Friday that South Korean soldiers had entered the northern sector of the zone and opened fire on a post there.

The South Korean Defence Ministry yesterday denied further allegations that it was staging provocative war games, saying that a 20,000-man military exercise going on in and around Seoul was an annual routine operation.

Yesterday was "CBR" (Chemical, Biological and Nuclear Radioactive) day in Seoul with guards wearing gas masks near designated buildings during a 20-minute air raid exercise.

As sirens wailed, the busy streets of this city of 9m people suddenly emptied of traffic, and disciplined citizens scurried to underground shelters and subway entrances.

Outside specially designated "target" buildings, civil defence workers armed with automatic weapons donned special anti-chemical warfare capes and gas masks and took up crouched positions as simulated "bombs" sent up clouds of red smoke.
Reuter

Fierce fighting reported in Afghan provinces

ISLAMABAD – Major counter-insurgency operations involving Soviet troops and aircraft are currently underway in at least seven provinces in Afghanistan, but the worst fighting appears to be raging just north of Kabul, western diplomatic sources here said yesterday.

A key target has been the town of Istalef, reportedly 40 per cent destroyed after five days of continuous bombing, according to a report from Kabul.

"The smell of death from bodies in the rubble is apparent even at a distance," was how one traveller described the town of Shomali, 32 kilometres north of the capital.

Istalef, a major guerrilla stronghold, is undergoing some of the most savage bombing seen in Afghanistan since Soviet troops entered the country in late 1979.

They said refugees from the Shomali region and oearby Kariz-i-Mir area began arriviog in Kabul last week and that hospitals are now crowded with Afghan civilians injured in the bombardmeots.

Aerial strikes by MIG jet fighters and helicopter gunships with ground support from tank cannon and heavy artillery fire reportedly began on October 12. Reports indicated that shelling is continuiog.
AP

Korea aims to oust Japan as world's leading shipbuilder

BY ANN CHARTERS IN SEOUL & ANDREW FISHER IN LONDON

SOUTH KOREA, the second ehipbuilding nation after Japan, intends eventuelly to become the world leader, the heed of one of Korea's biggest shipbuilding groups said yesterday.

Mr. Hong In-Kie, president of Daewoo Shlpbuilding and Heavy Machinery, said in London that Japan "is facing a new challenge to its shipbuilding industry. It is coming from the newly industrialising countries led by Korea, Taiwan, and Singapore."

He suggested that the advanced industrialised countries should leave such industries as shiphuilding to nations which were now building up their economies.

Instead, they should concentrate on higher technology areas. "We shiphuilders in Korea look to advanced countries for the technologies that allow us to manufacture the kinds of vessels and structures that suit a growing abiphuilding nation."

Mr Hong, in a blunt speech at a dinner of the International Maritime Industries Forum (IMIF), said, "In Korea, our aspirations include assuming a leadership rote in the world'a shiphuilding industry."

Western European shiphuilders, along with the U.S., prospered until tbe mid-1970s, Mr Hong ooted. "Those nations had been without competition for so long that they had become uncompetitive in shlpbuilding."

His remarks come as stateowoed British Shipbuilders is struggling to win new merchant orders and is laying off several thousand workers. The West German industry, loo, is shedding numerous jobs in a bid for survival.

UK shipbuilders accounted in the tate 1950s for 20 per cent of the world ahipbuilding market. Tbis has since fallen to under 3 per eent. The German share has fallen similarly.

"Japan's very rapid, very lean shipbuilding industry" arose to compete with Europe and the U.S., said Mr Hong. "They offered the market place what the older shipbuilders could not: high-quality vessels, at economic prices, in time."

Japan, he added, was now occupying the seat it once acquired through being competitive. "And it will lose that seat before long — naturally."

Cuba hopes for more French credits

By David Marsh in Paris

FRENCH AND CUBAN ministers in Paris have opened bilateral trade talks from which Havana hopes to win assurances from France of a further FFr 200m ($25m) to FFr 300m in commercial credits.

The opening session of the negotiations, the latest in a regular round between the two sides, was presided over by Mme Edith Cresson, the French Foreign Trade Minister, and Sr Hector Rodriguez Llompart, the Cuban Economic Co-operation Minister.

France, which is Cuba's leading foreign supplier, ahead of important traditional clients such as Japan and Spain, is trying to improve its political links with Havana.

However, a fortnight ago the Cuban authorities expelled two French journalists accused of making contact with Sr Ricardo Boffil, a Cuban dissident who has since been consigned to a psychiatric hospital. This incident has cast a shadow over this week's talks.

Paul Cheeseright reports on the search for ways to improve trade

The EEC decides to test an idea

THE MAJOR economic powers are searching for ideas to further liberalise tha international trading system.

The U.S., the EEC, Japan, and Canada all feel that the search has intrinsic merit, hut they want to be seen to be doing something about repeated international declarations in favonr of the liberal trading system.

It is ln this context that the EEC is suggesting that Tokyo Round tariff cuts be speeded up when an industrialised nation has achieved e 2 per cent annual economic growth rate.

The cuts come into effect in eight stages

Trade analysts have been quick to point out that the importance of the move is more psychological than economic. It is an idea to instil confidence, to belie the impression that the trading system is about to seize up under unrelenting protectionist pressure.

But it is only an idea, the force of which is diminished by the fact that even if the top trade negotiators of the big four trading partners agreed on a scheme, it would still have to be eold to their governments.

Herr Wilhelm Haferkamp, the EEC commissioner in charge of external relations, is authorised to explore the possibilities of a deal—he has no negotiating mandate and no formal EEC policy on accelerated tariff cuts has been adopted.

But speeding up the Tokyo Round cuts is probably something the industrial powers could agree without too much pain. They have made half of their planned cuts anyway.

The cuts come into effect in eight atages at the beginning of each year from 1980-87. Japan has in fact made five cuts, and the others four. The EEC's cuts ln 1985, 1986 and 1987 are conditional on its state of economic health, but if the European Commission has its way then this condition would be dropped in favour of the 2 per cent growth idea.

During the Tokyo Round, the tariff cuts were settled on a general formula with negotiations about exceptions. So elthough industrial tariffs are generally low anyway there are peaks — the U.S. tariff on woollen textiles or the Japanese confectionery tariff, for exampte.

Averaged out, the U.S. tariff on industrial goods will be 4.4 per cent after the Tokyo Round compared with 6.2 per cent before, whila the EEC moves to 4.8 per cent from 6.6 per cent, Japan to 2.6 per cent from 5.2 per cent and Canada to 7.9 per cent from 12.7 per cent.

on industrial tariffs, covering products which in 1976 traded at an annual value of $110bn

The Tokyo Round, then, involves cuts of around one-third and which made up 14 per cent of world trade.

These sorts of figures emphasise that while lowering tariffs ease trade, they do not now, except in isolated cases, stimulate it. The importance of tariffs as a deterrent to trade has waned with each successive tariff-cutting negotiation since

Round of talks is going on about agricultural trade

World War II. The Tokyo Round was the eeventh.

In isolation the EEC ldea is, therefore, of limited significance. If, however, it acts as an impetus to concluding work started in the Tokyo Round or to pursuing schemes which emerged at the ministerial conference last November of the General Agreement on Tariffs and Trade, then its consequences could be far-reaching.

The Tokyo Round brought into greater prominence the non-tariff barriers to trade, but it failed to resolve disputes about the conditions undar which import safeguards might be applied ln an emergency. The Gatt ministerial conference failed likewise.

In Geneva, now, discussions are continuing about safeguards and the view is emerging that tinkering with the existing Gatt provisions in Article 19 will not provide a sufficient hard legal framework which all will respect.

Discussions are also taking place more closely to define when a subsidy is illegal and when it is not. Although the Tokyo Round produced a subsidies code, last year's U.S.-EEC steel row pointed up the trouble which comes from differing intarpretations.

Another rонnd of talks is going on abont agricultural trade which escapes many of the disciplines attached to industriel goods. This committee was born at the Gatt ministerial conference, bnt it will not be in a position to enter negotiation until next year.

Movement in any of these three ereas, trade specialists point out, would be of more decisive importance ln combatting protectionism than mere tariff cuts.

But tbe great challenge facing the treding powers in the next few years will probably not be that of stabilising the existing system but finding a way of fitting services trade into a framework of international discipline.

Mr Tran Van Thinh

EEC shifts stance on trade in services

GENEVA—The European Community, efter more than a year of hesitation, has beguo actively to back multilaterial efforts to bolster world trade in services, an EEC official said.

Mr Tran Van-Thinh, trade negotiator and chief of the EEC's Geneve delegation, said the move resulted from recent internal studies which showed for the first time thet a third of the EEC's total trade activity involves service industries.

"We are convinced that we must have an international discipline lf we want to secure and expand trade in services," Mr Tran said.

In recent days, EEC trade officials in Geneva have met with officials from the U.S., Canada and several influential developing nations to explain the Community's stance, Mr Tran said. Previously, the EEC had maintained a more neutral posture on the issue, a controversial one in official trade eircles and at times within the EEC itself.

Most developing nations have resisted U.S.-led attempts to have a service-sector trade code negotiated under the euspices of the General Agreement on Tariffs end Trade (Gatt), the framework governing world merchandise trade. They assert that Gatt-style guidelines oo services trade would favour the interests of hic industrial nations with highly developed service industries such as banking, insurance and engineering.

Because of this oppositioo and the EEC's reluctance to back the U.S. at e Gatt-sponsored trade ministers' meetlng last year, the ministers epproved a watered-down resolution calling on interested countries to study their service-sector trade and exchange findings before discussing ln late 1984 if there should be a services trade code under the Gatt's auspices.

"The homework since the ministerial (meeting) bas made us convinced that lt is in our interests" to have guidelines on service-sector trade, Mr Tran sald.

AP-DJ

Ecuador oil areas attract six bids

By Sarita Kendall in Quito

SIX BIDS have been put in for areas offered to foreign oil companies hy the Ecuadorean State Petroleum Corporation, Cepe. Although Cepe bad designated 11 areas for exploration and exploitation, the proposals cover just two offshore blocks of 400,000 hectares each and two Amazon blocks of 200,000 hectares.

However the interest shown by the transnationals is considered satisfactory by the Government, which changed oil legislation and drew up new risk contracts in order to attract foreign investment.

A proposal by BP and Clyde Petroleum, which has oil and industrial Interests in Ecuador, had been discussed, hut no offer was made. Esso (with Hispanoll) bid for one Amazon hlock, and three offers were presented for the other — by Occidental, Hispanica (in a consortium with Idemitsu, Petrofina and Home Oil), and Conoco (jolotly with Husky Oil, Nomeco and Plecid). Belco made the only two offers for offshore areas, which have remained largely unexplored up to now.

Most of Ecuador'a 240,000 barrels a day of crude production comes from the Cepe-Texaco fields of the northeastern Amazon.

THIRD-COUNTRY BUSINESS

Singapore credit agency set a hard task to keep up its income

BY CHRIS SHERWELL IN SINGAPORE

THE EXPORT Credit Corporetion of Singapore (ECICS) will need to treble its current 4 per cent share of Singapore exports lt covers in order to maintain income levels.

The agency revealed in August that it would no longer underwrite new riaks for short-term third-country trade until the value of these policies stood in a 30 : 70 retio with the value of policies underwritten concerning Singapore exports.

The action, which surprised policyholders and confirming honses, followed the disclosure that ECICS had paid claims in the first half of this year amounting to S$15.5m (£4.8m). This was significantly higher than the S$9.31m paid out in the whole of 1982, which was the worst year since the agency was set up in 1976.

Although the deterioration was not unexpected in view of the world economic recession and International debt problems, it seems clear that, with the tightening of terms by such egenciee at Britain's Export Credits Guarantee Department, confirming bouses looked abroad for third-country cover and ECICS was one of those prepared to step in.

The agency, which is half-owned by the government, eventually accepted risks which by this year produced a 60:40 ratio ln favour of third-country trade, and the board decided to redress the imbalance.

According to an interview with ECICS officials nublished on Monday in a local Singapore newspaper, "the fact that third-country trade formed the majority of our business drew the board's attention to the fect that the company might heve moved from its primary objective of oromoting Singapore exports."

The officials, who were not named, acknowledged that "it might take some time" to treble the present 4 per cent coverage of local exports (excluding the oil business).

GEC to update Nigeria's microwave radio system

GEC Telecommunications of Britain has won a £13½m contract to modernise a microwave radio communications system io Nigeria originally installed by GEC in 1970, **our Trade Staff reports.**

Equipment in 30 microwave radio stations will be replaced by the latest GEC solid-state equipment that is more reliable, uses less power and is cheaper to maintain.

DC power plant with a stand-hy battery supply will replace the existing unprotected AC equipment in 50 radio stations including those on the link between Lagos and Kano.

The preliminary phase of the contract involves the maintenance and realignment of the 6 GHz "backbone microwave link" between the capital Lagos in the south and Kano ln the north on the edge of the Sahara desert. This 1,000 km link also connects the important centres of Ibadan, Oshogbo, Ilorin, Kaduna and Zaria.

The equipment will be made in tha Coventry and Treforest factories of the company's Transmission Division and delivery is schedeuled for 1984.

UK NEWS

'Gamma' medical camera buy-out in Scotland

THE MANAGEMENTS of Scintag Berthold, the only producer in Britain of nuclear medicine "gamma" cameras, has bought out the stake of its Swiss parent company to go independent, writes Mark Meredith.

As part of a £750,000 investment by the venture capital section of 3i Ventures (formerly ICFC), the small, Scottish-based company, was able to buy the 70 per cent equity of Scintag Berthold of Zurich.

The newly-named company, Scintronix, is to use most of its investment to expand the sales overseas with a series of marketing deals involving companies in the U.S. and Europe.

It is also to increase production greatly for a market estimated at 500 cameras a year alone for the U.S. market, which accounts for over half of world demand.

Scintronix produces gamma cameras which record the presence of radio isotopes injected into a patient to produce a picture of a particular organ through computer enhancement.

This fast-developing sector of examining the internal organs include traditional X-rays, body scanners which build up pictures from a series of X-rays through computer compilation (ultra-sound which bounces signals off particular organs) and translate them into a picture display and, the most recent development, nuclear magnetic resonance which measures the water distribution through a particular part of the body under examination.

Scintronix, which is based at Livingston new town, west of Edinburgh, holds about half the UK market for nuclear medicine cameras, but faces intense competition from large producers such as Siemens, Philips and General Electric.

The UK market, however, only accounts for about 5 or 6 per cent of world demand for cameras.

Dr John Walker, industry manager at 3i Ventures, said that Scintronix had until now been unable to enter the U.S. market or fully exploit the European market.

A marketing deal has now been signed with Interad, a U.S. manufacturer of scanners, to market the Scottish-produced camera in the U.S.

The West German Kontron company is to distribute in Germany, Scandinavia and Italy. The buy-out is led by Mr Paul Woods, the company managing director, Mr Iain Stark, the marketing director, and a third director, Mr Colin McClure.

Following the buy-out, management has invested in computer equipment based on Data General to complete the camera system.

Liffe may start London stock futures contract

BY MARY ANN SIEGHART

A CONTRACT which will allow investors to hedge against movements in the stock market is likely to be introduced on the London International Financial Futures Exchange (Liffe) early next year.

It may be linked to the launch of a new 100-share index compiled jointly by the Stock Exchange and the Futures Exchange.

The board of Liffe has been considering four new contracts over the last few months, based on a stock index, a Eurobond index, a U.S. Treasury bond and a UK Government stock with a short maturity (short gilt).

It is expected to announce at the end of this month that the stock index and the U.S. Treasury bond contracts are likely to be introduced next year. By Christmas, Liffe should have decided which contract will start trading first. The stock index is thought to be more popular.

Stock index futures contracts have been extremely successful in the U.S. since their introduction 18 months ago. They enable the investors either to gamble on which way the stock market will move or to neutralise the effect of price fluctuations on his holdings.

If someone buys a stock index futures contract, he is promising to deliver a fixed number of shares, or their equivalent value in cash, during a certain future month at a price fixed at the time the contract is made.

Peugeot introduces 205 'supermini'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

PEUGEOT-TALBOT hopes to more than double sales of Peugeot-badged cars in Britain with the 205 "supermini" launched in the UK today.

But there is also the prospect of the 205 damaging sales of the Talbot Horizon, which will be sold alongside it in joint Peugeot-Talbot showrooms.

The Horizon is assembled at Talbot's Ryton, Coventry, plant, whereas the 205 will be imported from France.

To help give the Horizon some protection, Talbot today launches the "Series II" models with improved specification but prices held very close to those for the previous models.

In 1982, some 17,378 Horizons were sold in the UK, the majority of which were assembled at Ryton.

Last year, 19,638 Peugeots were registered in Britain and the French group expects to sell at least 25,000 of the 205 models in a full year to give them a 1.5 per cent share of total new car sales.

Peugeot-Talbot also hopes the 205 will help change the Peugeot image from rather staid to more sporty and stylish.

The 205 is a five-door, front-wheel-drive hatchback, which competes with the Austin Metro, Ford Fiesta, Renault R5 and the Vauxhall Nova/Opel Corsa among other rivals.

It was launched in France in February, and, since then, Continental sales have built up very successfully so that output at the Mulhouse plant in Alsace has reached 950 a day. "Overspill" production will be put into the Talbot plant at Poissy, near Paris, and Villaverde in Spain to take output up to 1,500 a day.

The 205 has raced to a 6.5 per cent share of the French car market but, apart from hitting Horizon sales, it has also cut deeply into registrations of the Talbot Samba.

In Britain, the 205 will be offered in six versions, including two with diesel engines. They are highly competitively priced compared with the opposition, from £3,895 "on the road" to £5,395.

The series II Horizons cost from £4,145 to £5,420, emphasising again the pressure they will be under from the 205.

● Mr Tom King, making his first public appearance as Secretary of State for Employment, confidently predicted last night that for the first time since 1979 Britain would this year produce more than 1m cars.

At the annual dinner of the Society of Motor Manufacturers and Traders he suggested the motor industry had begun to fight back from decline – "at last the message has got through," he said.

Mr King recalled that the number of days lost in the motor industry because of strikes in 1982 was one third of those lost in the average for the previous 10 years. And in the first eight months of this year there was a further fall on the same period of 1982.

"It is a staggering thought that in the late 1970s on average a week and a half for every person in the industry was being lost each year through stoppages and now it is down to a day and a half."

UK NEWS

Treasury chief named in Thatcher reshuffle

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

MRS MARGARET THATCHER, Prime Minister, yesterday rounded off the Cabinet and ministerial changes made necessary by the resignation last week of Mr Cecil Parkinson, the Trade and Industry Secretary.

Mr John Moore, Economic Secretary to the Treasury, has been promoted to succeed Mr Nicholas Ridley as Treasury Financial Secretary, one of the highest-ranking ministerial posts outside the Cabinet. Mr Moore is widely regarded as the closest lieutenant of Mr Nigel Lawson, the Chancellor of the Exchequer, in his campaign to privatise the nationalised industries.

As Financial Secretary to the Treasury, Mr Moore will have a special interest in taxation matters and overseas finance, including the EEC budget.

Mr Ian Stewart, previously parliamentary under secretary in charge of procurement at the Ministry of Defence, takes over from Mr Moore as Economic Secretary to the Treasury. His successor is Mr John Lee, MP for Pendle.

Mrs Thatcher took the opportunity of this reshuffle to announce the promotion of two loyal junior ministers: Mr John Selwyn Gummer, who replaced Mr Parkinson as Tory party chairman last month, is promoted from parliamentary under secretary to minister of state at the Department of Employment; while Mrs Linda Chalker is similarly promoted at the Department of Transport.

The last two promotions, which involve a salary rise from £25,460 to £30,410 but no obviously significant increase in responsibility, are likely to come under attack from the Labour Party opposition at Westminster.

It was emphasised by the Prime Minister's office yesterday that the Department of Transport had taken on extra responsibilities after the merger of the Departments of Trade and Industry, and these would involve Mrs Chalker.

Mr Gummer's promotion was linked to his role as liaison between the Government and the Tory party.

It was also pointed out that while he will retain his responsibility in Parliament for trade union reform in the area of secret balloting, for strikes and leadership elections, he will play no part in the politically sensitive moves to change the basis of the political levy on trade union members.

Man to watch in promotion stakes

MR JOHN MOORE, who was promoted yesterday to Treasury Financial Secretary has for some time been singled out in the Conservative Party as a man to watch. His move is seen as a prelude to a rapid rise within the party.

Mr Moore is regarded as having the mind of a lawyer – quick to master a difficult brief and argue his case – rather than that of a profound thinker. But his charm, good looks and clean-cut sporting image have provoked a degree of mistrust among those he has defeated in argument. "He is like an exotic cocktail," one MP said yesterday. "It tastes and looks very pleasant, and you end up with a terrible hangover the next day."

When Mr Lawson was promoted to Chancellor of the Exchequer after the June general election, Mr Moore went with him to become Economic Secretary to the Treasury. In this post, he was involved in much of the haggling between Mr Lawson and the new Energy Secretary, Mr Peter Walker, over further privatisation of oil assets.

Dismissal threat to engineers in British Telecom dispute

BY BRIAN GROOM, LABOUR STAFF

BRITISH TELECOM (BT) has raised the temperature in the privatisation dispute with the Post Office Engineering Union (POEU) by issuing letters threatening possible dismissal to some of the union's members.

The union has been involved in a campaign of industrial disruption in protest at plans to sell off BT as part of the Government's plans for privatising state industries.

The POEU will discuss the situation with BT this morning. The letters have been sent to some telephone engineers who signed undertakings to work as directed after being suspended last week but have since gone against their undertakings. They have been given until Friday to reconsider.

It is believed that they are people who refused to cross picket lines when brought in by BT from the outskirts of London last week, and have since refused a second time.

BT's policy of bringing workers by bus from the outskirts to central London exchanges affected by the strike continued yesterday. It said 100 of the 140 it brought in had worked as requested, but the POEU continues to insist that only a few non-union members have crossed its picket lines.

The POEU has stepped up the dispute by pulling out up to 40 engineers who maintain international telex links, in support of 1,500 colleagues locked out of international telephone exchanges for more than a week after imposing a work-to-rule.

The High Court action by Mercury, the private telephone network, against industrial action by the POEU continued yesterday and will go on today.

Whitehall rejects warship design

By Bridget Bloom, Defence Correspondent

THE BRITISH Government has rejected a controversial new frigate design and has confirmed instead the Royal Navy's decision to order at least eight new warships of a traditional design over the next few years.

The long-standing controversy over future warship design was brought to an end yesterday when the Ministry of Defence said that the S90, a "short fat" ship designed by Thorneycroft Giles Associates, a small private company, was 'fundamentally unsuited' to the Navy's requirement for its new generation of anti-submarine frigates.

A statement from Mr Ian Stewart, undersecretary of defence procurement (who was yesterday appointed economic secretary to the Treasury) said that the S90 was incapable of achieving the low noise levels required in modern anti-submarine warfare. "Exhaustive analysis" within the MoD and by independent experts had also shown that the S90 lacked sufficient space and did not meet requirements on speed, endurance, sea-keeping and damaged stability, the statement said.

Mr Stewart confirmed that the Navy's new frigate will be the Type 23, a 3000 tonne warship which is currently costed at some £100m compared to a 1981 estimate of around £70m.

The first order will be placed with Yarrow Shipbuilders, as subsidiary of British Shipbuilders, next year. A first "batch" of some eight to 12 frigates is to be ordered at the rate of three a year from 1986, officials said yesterday.

The MoD's decision to reject the S90 is not unexpected. The concept found few protagonists in the Navy, among the Ministry's own ship designers or within the state-owned BS. The MoD agreed to assess the design only at the insistence of ministers, particularly of Mr Geoffrey Pattie, the minister responsible for defence equipment procurement, who recently handed responsibility for the studies to Mr Stewart.

It is not clear whether the concept of the short fat ship now has a futures in Britain.

Colt plant to make Anglo-Japanese commercial vehicles

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

ANGLO-JAPANESE commercial vehicles are to be produced at a new facility in Plymouth, Devon, by the Colt Car Company, which is 49 per cent owned by Mitsubishi of Japan.

Initially, the new organisation will produce 8 and 12-seater mini-buses based on tha Mitsubishi L300 van.

Mr Lloyd Hutchings, general manager of the organisation, called Mitsubishi Commercial Vehicles (MCV), said that UK glass, tyres, seating, radios, rear window wash-wipe equipment and the trim to be made at tha Plymouth facility would take the European content of tha vehicles – measured by ex-works value – to 34 per cent for the 8-seater and to 40 per cent for the 12-seater.

Ha insisted that the project, therefore, represented "end production" of vehicles, not simply conversion.

The European content is by no means enough for Colt to escape the restrictions of the agreement between the British and Japanese motor industries which limits the Japanese share of the light commercial market to under 11 per cent.

However, MCV is working on other light commercials, which will be based on Mitsubishi chasis-cabs.

In this way it could possibly meet the Department of Trade and Industry's criteria of what is necessary before Anglo-Japanese vehicles can escape the import restrictions.

The Department insists that vehicles from the outset should have a 60 per cent local (that is European) content, rising as quickly as possible to 80 per cent by ex-works value.

Mr Hutchings said the mini-bus project would be fully on stream by January, and would provide 12 new jobs. MCV would have the capacity to produce 60 a month.

It was not yet possible to judge demand for the mini-buses in Britain but they are to be displayed at Motorfair, which opens in London tomorrow as part of the test-marketing process.

So far Colt, which last year sold 8,640 Mitsubishi cars has invested £75,000 on equipment for the Plymouth project.

Convention centre plan

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BRITAIN WILL have its first purpose-built convention centre under a £120m plan announced yesterday by Birmingham City Council.

The centre, scheduled to open in 1989, will create 2,000 jobs, and generate revenue of nearly £39m a year, a statement from the council said.

The city is confident of receiving Government approval to borrow tha £91m public sector contribution for the project. A key factor will be the amount of financial support from the Government towards the debt charges. Without aid, rates could rise by an estimated seven pence in the pound, as against only 1.5 pence with support.

A 50-acre site has been earmarked for the development, which is likely to run a £25m annual operating deficit.

Liverpool prepares bid for free port status

FINANCIAL TIMES REPORTER

LIVERPOOL'S FORMAL application for free port status will go to the Government within the next two weeks.

Its proposal is to use spare warehousing, capacity and land within 600 acres of existing dockland – including the Royal Seaforth container terminal and the meat, grain and timber facilities.

Worldwide there are about 350 free ports – most of them in the developing world – but none so far in Britain. They are essentially duty-free areas in which goods which arrive do not become subject to duty until they leave.

Advantages for an importer are that large quantities of goods can be held for distribution at times of peak demand. In this way working capital can be freed for other uses.

Liverpool's case is that since it already has all the facilities needed, it could offer companies maximum return for a minimum investment. It has well-established sea routes and national motorway and rail networks run right up to the dock gates.

The dock company is promising immediate availability of nearly 200,000 sq ft of warehouse space. It also says that other under-used dockside sheds could be converted into factories.

Mr Michael Andarson, dock company finance director, said yesterday: "The ports hinterland is one of tha largest areas available to support any free port enterprise. Liverpool has a powerful case. The physical features are all available for fast take-off at low cost."

The application will be one of about 50 that the Government has to choose from, but it is also likely to be one of the strongest, not only because it could start working immediately but because of the plight of the Merseyside economy.

● In the Isle of Man yesterday Mr Percy Radcliffe, chairman of the island airport's executive council, said major companies had shown considerable interest in establishing a free port. He said a publicity campaign would be drawing attention to the proposed project internationally.

Falmouth plan hits opposition

FINANCIAL TIMES REPORTER

PLANS FOR a controversial £70m container port at Falmouth in Cornwall have been re-submitted to the Government, which said last year that it wanted further evidence of the project's viability.

Falmouth Container Terminal, the company promoting the scheme, envisages an initial annual traffic of some 200,000 containers and employment of around 1,500 people.

In September last year, Mr David Howell, then Transport Secretary, said FCT would have to show firm commitments from potential user shipping lines. The scheme should not divert traffic from other UK ports, which already have surplus capacity for containers.

All major port developments in Britain need Government approval under the 1964 Harbours Act. Mr Michael Tragett, managing director of FCT, said be hoped the Department of Transport would approve the application within a month.

Opposition to tha project has come from large UK ports such as London, Liverpool, Southampton and Bristol, as well as dockland MPs, and a local action group of environmentalists.

But it has been strongly supported by local authorities including Cornwall County Council, Falmouth Town Council, and Falmouth Harbour Commissioners. Mr Tragett said that the first container ships could be using the new port, if it received the go-ahead, sometima in early 1986.

The proposed container terminal which would involve reclamation of 80 acres, would be managed by the port of Felixstowe.

Mr Tragett's view is that Falmouth, right at Britain's south-western tip, is ideally placed to become a major distribution base for the next generation of container ships, such as the huge ones being built in South Korea by United States Lines.

Both U.S. Lines and Evergreen, which uses Felixstowe, plan round-the-world container ship services. Under the scheme, large container loads would be dropped at Falmouth and redistributed

Consumers tackle British Rail

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT

BRITISH RAIL (BR) must pay more attention to its customers, the Central Transport Consultative Committee, the official consumer watchdog on railway matters, said in a report yesterday.

The committee's list of complaints, presented to Mr David Mitchell, parliamentary Under-Secretary of State for Transport, included: poor punctuality (in June, for example only 69 per cent of all trains arrived on time); bad manners and unhelpfulness on the part of soma BR staff; poor station environment; and increased overcrowding on some trains.

Mr Bob Reid, BR chairman, is also telling his own staff to do more for the customer. In the current edition of Railnews, Mr Reid says: "We do not do enough as individuals to sell the railway, to make our customers welcome and willing to travel by rail again."

In spite of the complaints, the committee thinks BR is going in the right direction. It supports the latest corporate plan from railways which forecasts reduced Government support over the next five years, increased productivity and cuts in labour. It calls the plan "a positive programme for both passengers and taxpayers which should result in increased revenue, lower costs, increased investment, lower support levels and improvement in the quality of service."

UK NEWS

Teradyne to invest £10m on UK plant

By Jason Crisp

TERADYNE, one of the leading U.S. suppliers of automatic test equipment, is to manufacture for the European telecommunications industry in the UK.

The company is investing more than £10m in a plant in Bracknell, Berkshire, and will employ over 200 people within three years. The UK plant will make an automated test system which checks the subscriber lines on a telephone exchange.

Teradyne has already sold two such systems to British Telecom. It has also sold this system to the Hull Telephone authority, and to the French and Belgian telephone authorities.

The system automatically checks each subscriber telephone at night. Teradyne claims it should spot most faults before a customer knows there is something wrong with the telephone. It also identifies the fault.

About half the new jobs created in the UK operation will be for graduate engineers and professionals. Teradyne is also establishing a small research and development activity in the UK. This will develop the computer software for the equipment to be linked to all the different types of exchanges in Europe.

The system is already used on 10m lines in the U.S. The potential market in Europe is, theoretically, limited only by the number of exchange lines in use.

Further fall in world merchant tonnage laid up

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE VOLUME of world merchant tonnage idle for lack of business fell again in August, but only on the tanker side. Dry cargo lay-ups rose slightly as freight rates eased.

Latest figures from the General Council of British Shipping (GCBS) showed a world laid-up total of 90.3m deadweight tons at the end of August after the third successive monthly drop from the May 31 peak of 100.5m dwt.

The drop between July and August was 5.7m dwt, leaving 13 per cent of world tonnage idle against 14 per ceot the month before. But the number of idle ships was 14 higher at 1,721.

The bulk of the lay-up total was still accounted for by the long-depressed tanker sector. But August saw a further fall in idle tanker tonnage of 6.3m dwt to 64m dwt (19 per cent of the world tanker fleet).

In the dry cargo fleet, however, there was a slight rise of 600,000 dwt to 26.3m dwt in lay-ups. In both sectors, the supply of tonnage still far outweighs demand. But tanker owners have been slightly encouraged recently by a modest upturn in rates, especially from the Gulf.

The UK fleet had 17 per cent of its tonnage idle at end-August, comprising 32 tankers of 4.2m dwt (23 per cent of UK tanker tonnage) and 48 dry cargo ships of 1m dwt (8 per cent).

Among other major fleets, Liberia – the main flag of convenience country – had 22 per cent of tonnage idle, Greece 29 per cent, Panama (also a flag of convenience) 7 per cent, and Norway 27 per cent.

Funds for oil search

BY MAURICE SAMUELSON

BRITAIN IS to raise its aid to Bangladesh's oil and gas industry by providing up to £7m for onshore seismic surveys in the country's south-west region.

Horizon Exploration, a leading British geophysical company, will provide two survey teams under a contract signed with the British Government's Overseas Development Administration.

The outcome of the first year's work will determine whether to cootinue with a full three-year survey costing £7m. The money comes out of bilateral British aid to Bangladesh; which has been worth some £200m since that country's independence in 1971.

Imports of oil and petroleum products at present consume four-fifths of Bangladesh's export earnings.

FT COMMERCIAL LAW REPORTS

Arbitration clause is not a 'condition'

SKIPS A/S NORDHEIM v SYRIAN PETROLEUM CO AND ANOTHER

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Oliver and Lord Justice Watkins): October 5 1983

A PROVISION in a bill of lading incorporating "all conditions" of a charterparty does not suffice to incorporate an arbitration clause, but is limited to conditions under which cargo is loaded, stowed, kept, cared for, carried and discharged.

The Court of Appeal so held when dismissing an appeal by a consignee of cargo, Petrofina SA, second defendant to an action by shipowner, Skips A/S Nordheim, from Mr Justice Hobhouse's refusal to grant e stay of proceedings (FT, December 12 1982). The first defendant to the action, Syrian Oil Company, was not party to the appeal.

SIR JOHN DONALDSON, Master of the Rolls, said thet Petrofina held a bill of lading relating to crude oil delivered to it in West Germany. Skips was the owner of the Varenna in which the oil was carried. Skips claimed demurrage under the bill of lading contract. Petrofina sought a stay of the action on the ground that the contract incorporated an arbitration clause from the charterparty.

Petrofina said it had put the charterers in funds to pay the demurrage, but they went into liquidation before paying Skips. Petrofina could avoid paying twice if Skips was obliged to arbitrate, because it could then pray in aid a time bar.

The issua was whether tha wording of the bill of lading was apt to incorporate the charterparty arbitration clause into the bill of lading contract.

The bill of lading provided that "all conditions and exceptions" of the charterparty "are deemed to be incorporated io bill of lading."

Mr Justice Hobhouse, declining to follow Mr Justice Staughtoo in *Astro Valiente 1982 1 WLR 1096*, concluded that wheo the bill of lading referred to "conditions," is referred only to conditions to be performed by Petrofioa on arrival of the vessel. He said "on no view is an arbitration clause such a condition."

The contrary view, urged by Petrofina, was that "conditions" in the context was wide ennugh to incorporate all the provisions of the charterparty, albeit some would thereafter have to be rejected as inappropriate.

Petrofina submitted that clause 44 of the charterparty justified all necessary modifications to make the arbitration clause appropriate, since it required that all hills of lading issued pursuant to the charterparty should "incorporate by reference all terms and conditions of this charter including... the arbitration clause."

The bill of lading contract was the only contract to which Skips and Petrofina were both parties. What Skips agreed with the charterers in the charterparty was wholly irrelevant, save in so far as the whole or part of the agreement had become part of the hill of lading.

Such incorporation could oot be achieved by agreemeot between Skips and the charterers, but only by agreement between the parties to the bill of lading cootract. The operative words of incorporatioo must be found in the bill of lading itself.

Objective words of incorporation might be precise or general, narrow or wide. What must be sought was *incorporation*, not notice of the existence of terms of another contract which were not incorporated.

In *Astro Valiente* Mr Justice Staughton said: "If one looks at the cases, it appears to depend on wbether the words of incorporatioo used are conditions, terms, clauses or exceptions. Such nice distinctions are not wholly appropriate to commercial relationships and should if possible be avoided. So too should the interpretation of an ordinary English word, conditions, in a sense different from that which it naturally bears."

One had considerable sympathy with that view, but this was a corner of the law where commercial customers attached supreme importance to certainty. Where particular phrases had established meanings and effect it was not the policy of the law to change them if, in the absence of precedent, there would be a case for so doing.

"Conditions" in the context of incorporating charterparty provisions into hills of lading had been the subject of considerable judicial consideretion and the conclusions reached, unless distinguishable, fully supported Mr Justice Hobhouse's decision.

In *Thomas v Portsea 1912 AC 1* the hill of lading referred to the consignee "paying freight... with other conditions as per charterparty". Earlier decisions had established that a reference to "other conditions" coupled with the obligation to pay freight only incorporated such of the charterparty conditions as were to be performed by the consignee.

Lord Loreburn LC in *Thomas*, at page 6, with Lord Atkinson's concurrence, held that all that was incorporated were provisions governing shipment, carriage or delivery. Lord Gorrell at page 8 held that "terms and conditions" only incorporated matters relating to "carriage, discharge and delivery of the cargo."

There was no trace in those judgments of the decision being dependent on construing "conditions" *ejusdem generis* with "freight." Accordingly, *Thomas v Portsea* was clear authority for the true construction of "conditioo" *simpliciter*. It had not been doubted or modified by leter euthority and was fatal to the present appeal.

Mr Justice Staughton wished "conditions" to receive its ordinary interpretation, hut it was a chameleoo-like word whicb took its meaning from its surroundings.

In the context of incorporating into a bill of lading contract provisions which found their hirth in a charterparty, the ordinary English meaning was "the conditions under which the goods are loaded, stowed, kept, cared for, carried and discharged." An arbitration clause was not in that category.

The arbitration clause was never incorporated. The appeal should be dismissed.

LORD JUSTICE OLIVER, agreeing, said thet no douht every holder of a bill of lading knew that there was a charterparty in the background, whether referred to or not, but that was no reason why in construing his contract he should be concerned with terms oegotiated separately between charterer and shipowner.

There seemed to be lurking in Petrofina's argumeot a suggestion that because the bill of lading compelled reference to the charterparty to ascertain the contents of some of its clauses, the whole charterparty must be referred to to ascertain tbe meanings which the parties to the cbarterparty attached to those clauses.

The purpose of referential incorporatioo was not generally to incorporate the intentions of the parties to the contract whose clauses were incorporated, hut to incorporate the clauses themselves in order to avoid the necessity of writing them out verbetim.

The meaning and effect of the incorporated clause had to be determined as a matter of construction of the contract into which it was incorporated.

Standing alone an incorporation of the "conditions" of the charterparty did not suffice to incorporate an arbitration clause into the hill of lading.

The authorities clearly showed that the use of general incorporating words – whether "terms" or "conditions" – in a bill of lading were and had for years been normally construed in the restrictive way for which Skips contended.

LORD JUSTICE WATKINS, also agreeing, said that on a rohust common sense construction of the charterparty and bill of lading, in the absence of authority, the bill of lading would seem to incorporate the arhitration clause. Alas, the weight of authority was opposed to that view.

The appeal was dismissed.

For Petrofina: Anthony Evans QC and Jeffrey Gruder (Ince & Co).
For Skips: David Johnson QC and Timothy Young (Sinclair Roche & Temperley)

By Rachel Davies
Barrister

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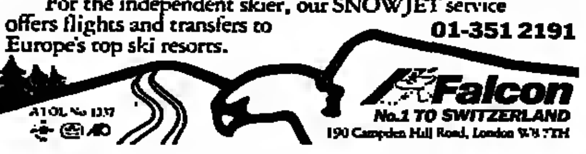

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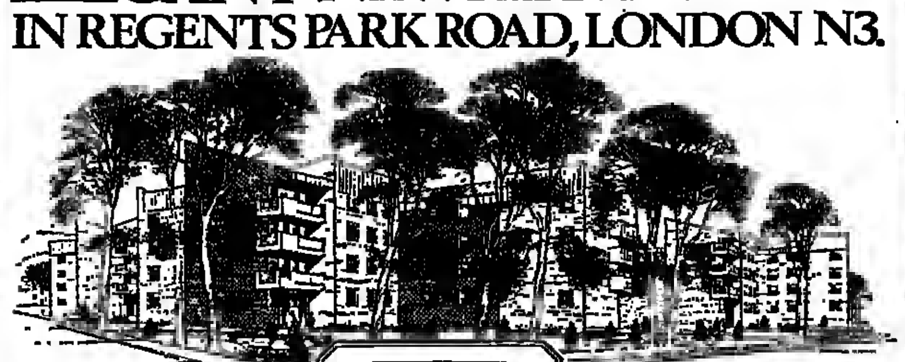

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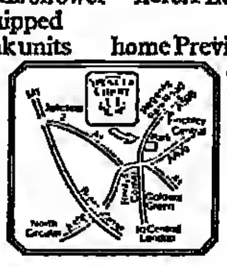

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The Bonds will be reimbursed coupon No. 15 attached on and after December 10, 1983.
The drawn Bonds are those, NOT YET PREVIOUSLY REDEEMED, included in the range beginning at 2320 up to 5542 incl.
Amount unamortised: UA 2,000,000.
Outstanding drawn Bonds:
723 748 and 741 743 806 812 and 813 843 to 848 incl. 892 and 893 913 to 916 incl. 928 950 and 931 941 to 943 incl. 989 1018 to 1022 incl. 1039 and 1040 1852 and 1056 1071 and 1072 1061 to 1090 incl. 1155 1174 1208 to 1213 incl. 1220 and 1221 1223 and 1224 1244 and 1245 1247 to 1250 incl. 1254 1257 and 1258 1273 1276 to 1280 incl. 1290 and 1291 1300 to 1302 incl. 2155 to 2155 incl. 2159 and 2160 2178 and 2177 2182 2197 and 2198 2200 and 2201 2235 to 2238 incl. 4490 4582 4631 4782 4885 to 4868 incl. 5222 to 5224 incl. 5237 to 5239 incl.
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(Algerian Popular Democratic Republic)
MINISTERE DE L'ENERGIE ET DES INDUSTRIES PETROCHIMIQUES
(Ministry for Energy and Petrochemical Industries)
ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS
(National Oil Exploitation Company)
NOTICE OF INTERNATIONAL CALL FOR TENDERS NUMBER 0404-OT/MEC
The Entreprise Nationale des Travaux aux Puits (National Oil Exploitation Company) is launching an International Call for Tenders for the supply of:
Item No. 1 — Spare parts for multi-terrain vehicles, model Toyota FJ 60-LV-SW.
Item No. 2 — Spare parts for Land-Rover vehicle
This Call for Tenders is intended for manufacturing companies only and excludes amalgamations, representatives of companies and any other intermediaries, in conformity with the provisions of Law No. 78-02 of 11 February 1978, with respect to State Monopoly on Foreign Trade.
Tenderers interested in this call for tenders may obtain the specifications from the following address:
Entreprise Nationale des Travaux aux Puits, 2 Rue du Capitaine Azzoug, Cote-Rouge, Hussein-Dey, Alger (Algiers), Algeria — Departement Approvisionnements et Transports (Supplies and Transport Department) — with effect from the date on which this Notice is published.
Offers, of which five (5) copies should be prepared, must be sent in a double sealed envelope, by registered post, to the "Secretariat du DAT" (Secretariat of the Supplies and Transport Department) at the above address, the outer envelope being completely anonymous, bearing no company insignia, and stating simply "APPEL D'OFFRES INTERNATIONAL Numero 0404-OT/MEC — Confidentiel — A ne pas ouvrir" (INTERNATIONAL CALL FOR TENDERS No. 0404-OT/MEC — Confidential — Do not open).
Tenders should be sent to arrive by 12.00 hours on Saturday, 26 November 1983, at the very latest.
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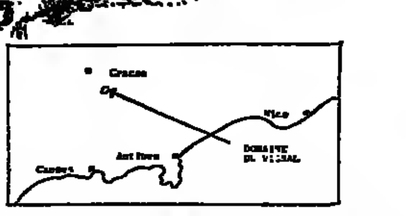

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Also 2nd-3rd November, Midland Hotel, Manchester 12-8pm

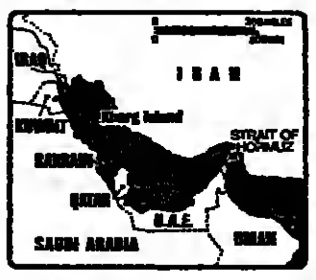
ENERGY REVIEW

How closure of the Gulf would threaten oil supplies

By Richard Johns, Energy Correspondent

TEN YEARS ago this week the Arab oil producers imposed their oil embargo on the West in support of Egypt and Syria at a critical point in their conflict with Israel. The graduated cuts had by December 1973 removed 4.5m barrels a day from the market, or 10 per cent of the non-Communist world's supplies, sending spot prices soaring and laying the basis for a price increase of 266 per cent by the Organisation of Petroleum Exporting Countries' for its Arab Light reference crude—from \$3.51 a barrel to \$9.22.

Now, a decade later, the world is faced with a threat by Iran to close the Strait of Hormuz,



at the entrance to the Gulf, to all petroleum traffic if Iraq deploys French-supplied Super-Etendard aircrafl, armed with Exocet missiles, against its oil installations or vessela lifting oil from Kharg Island. If it did so, the volume of oil cut off from the Gulf, on the basis of the recent rate of supplies flowing from it, would be 8.5-9m b/d, or 17-20 per cent of the non-Communist world's supplies.

Just bow serious such a dislocation of supplies could be was highlighted by a U.S. congressional study released a month ago. It said that closure of the Strait of Hormuz as a result of military action would "lead to a sharp increase in the price of oil supplies." A full 12 months' stoppage in 1982, involving a shortage of 5-5.3m b/d, would have driven prices up to between \$65 and \$130 a barrel. That compares to a price of \$29 now. A similar halt to the flow in 1980, which would bave meant a deficit of 7.1-7.7m b/d, could have meant a \$300 a barrel rate. Senator Carl Levin, wbo commissioned the study, described it as "the most comprehensive and sobering to date" of U.S. reliance on Gulf oil.

At the very least the report was a timely counter to the complacency bred by the oil surplus of the past two years. It was also a reminder that America is likely to become more and more dependent on oil imports in future, particularly if its economic recovery is maintained.

The potential gravity of the closure of the Strait bas been underlined by the movement of U.S. naval units to the Arabian Sea in line with President Carter'a commitment in 1980—confirmed by the present Administration — to ensure freedom of navigation through the vital waterway.

This spring the International Energy Agency conducted an emergency theoretical exercise to discover tbe effect of a closure of the Strait of Hormuz as well as unspecified "other elements." The outcome of the dummy run bas been kept a closely guarded secret.

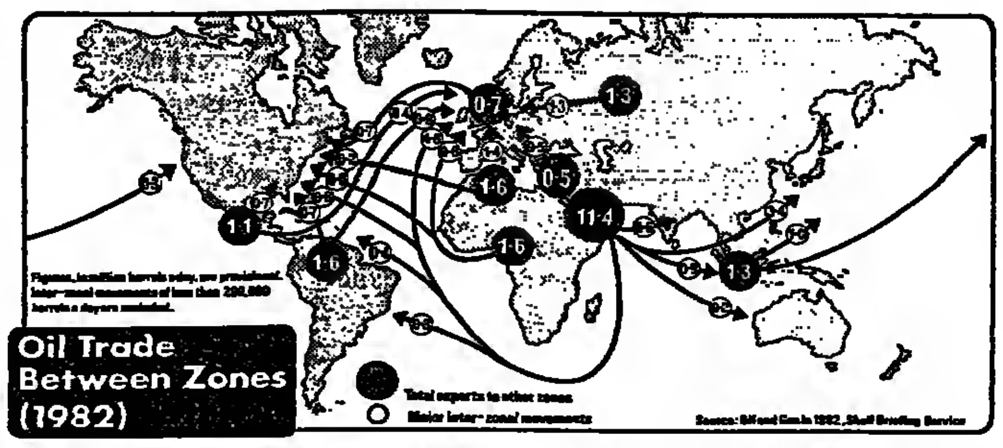
But tbe Congressional Research Service is said to have had access to the results and the figures in its appraisal are said to be not unrelated to the findings of the Paris-based agency. The U.S., which participated in the IEA exercise, was assumed in that study to impose no restraint on its own demand and to leave allocation of available supplies to market forces — a laissez-faire policy which Senator Levin has criticised.

More realistic, perhaps, in the present scenario, is an appraisal by investment bankers Kidder, Peabody that a net shortfall of 3.8m b/d — which could result from a one montb closure of the Strait — would lead to a rise to \$40 per barrel — a very mnch lower percentage increase than happened in 1973-74 and 1979-80. The bank's experts express what is probably a general consensus when they say that "any event of the magnitude of an attempted closure of the Strait of Hormuz would lead to an 'internationalisation' of the Iran-Iraq war, finally bringing both parties to the bargaining table."

If Iran had the will and capacity, in the face of military intervention, to maintain a blockade or deter international tanker traffic for a longer period the outlook would be sombre. Only about half of the volume of oil recently passing through the waterway could be supplied from other sources or by other routes.

In practice, it would be a matter of many months before worldwide stocks were rednced to a dangerously low level. Tbe more immediate danger would be of a strong upward surge in prices on the spot or free market, whicb accounts for 20-30 per cent of trade. Spot transactions also affect the pricing of a significant proportion of crude and oil products sold under contract.

If the abortage was prolonged for two or three months there would be a growing temptation for producers to escalate official prices in line with spot rates.



Some of the shortfall could be made good immediately by Saudi Arabia through its Trans-Peninsula pipeline from the oil fields in the Eastern Province to the Red Sea terminal at Yanbu. The capacity of the 750-mile, 48-incb diameter pipeline, commissioned in the summer of last year, is 1.85m b/d. Throughput, which was as low as 400,000 b/d earlier this year, is now believed to be running at 600,000 b/d. Thus, 1.2m b/d of Saudi output could be maintained.

Tapline, the 500,000 b/d facility from the Eastern Province to Zahrani, near Sidon, in Israeli-occupied Lebanon, can be ruled out as an alternative roule. Used only to transport small volumes for the Lebanese market and damaged during the Israeli invasion, its owners —the U.S. partners in the Arabian American Oil Company —are completely closing down Tapline installations.

Tbeoretically, supplies from Iraq could be boosted by up to 1.4m b/d over a period of several montbs if—and the proviso is a major one—the pipeline system to the terminals at Bannias, in Syria, and Tripoli, Lebanon, were to be reactivated.

Syria, which supports Iran and is opposed to the Iraqi Governmeot, stopped transit rights in Marcb 1982. Current diplomatic efforts by Saudi Arabia and Kuwait seem unlikely to bring about a re-opening.

For the past year and a half Iraqi crude exports have been limited to a pipeline to Ceyhan, on Turkey's soutbeast Mediterranean coast—a facility vulnerable to Iranian-inspired sabotage. This pipeline's capacity bas recently been raised from 650,000 b/d to 750,000 b/d but tbe expansion of througbput by another 300-400,000 b/d will not be completed until April 1984.

In addition, Iraq is believed to bave been exporting 50-60,000 b/d of refined products by truck recently.

Other members of Opec could make the biggest contribution to making up any shortfall from the Gulf. Opec members' output has been restrained by the organisation's quota system, in force since the spring, which has fixed an overall ceiling for mebers of 17.5m b/d. Non-Gulf states would therefore need no encouragement to increase supplies. But the potential from this source amounts to little more than 3m b/d (see table).

Mexico—not an Opec member —has restrained its exports to 1.5m b/d to help buttress Opec's output-sharing agreement. It could not increase them by more than 300,000 b/d and its extra availability could be as little as 100,000 b/d. It is widely agreed that the Communist bloc would only be able to lift its net exports, currently running at around 1.5m b/d by 100,000 b/d or so.

All these alternative sources of oil supply would, in a matter of weeks rather than days, be able to make up perhaps 50 per cent of lost supplies—but there would be some dislocation because of sudden changes in the pattern of distribution. Something like half of supplles from the Gulf go to the Far East, Asia and Australasia. The U.S. receives only a small proportion of its requirements from the region.

There are doubts as to how quickly the U.S. strategic petroleum reserve, which has been amassed for use in emergencies and now totals over 350m barrels, could be mobilised. Some of the technical difficulties in extracting it from storage are reported to have been overcome this summer.

The possibility of saving oil —by switching to other fuels— seems to apply mainly to the U.S., where natural gas and coal could make up for as much as 500,000 b/d.

As for stocks, despite a marked rundown from the high point reached in 1981, those on land in states belonging to the Organisation for Economic Co-operation and Development are still at a healthy level. Those on land in the Industrialised countries were reckoned by the IEA in its last assessment to be the equivalent of 93 days forward consumption. That is a fall from the 439 toos, or 103 days' requirements, at the same point last year but exceeds the 90 days' supply required under IEA rules for individual members—with the exception of the UK which, because of its oil resources, is only required to keep 76 days' supply.

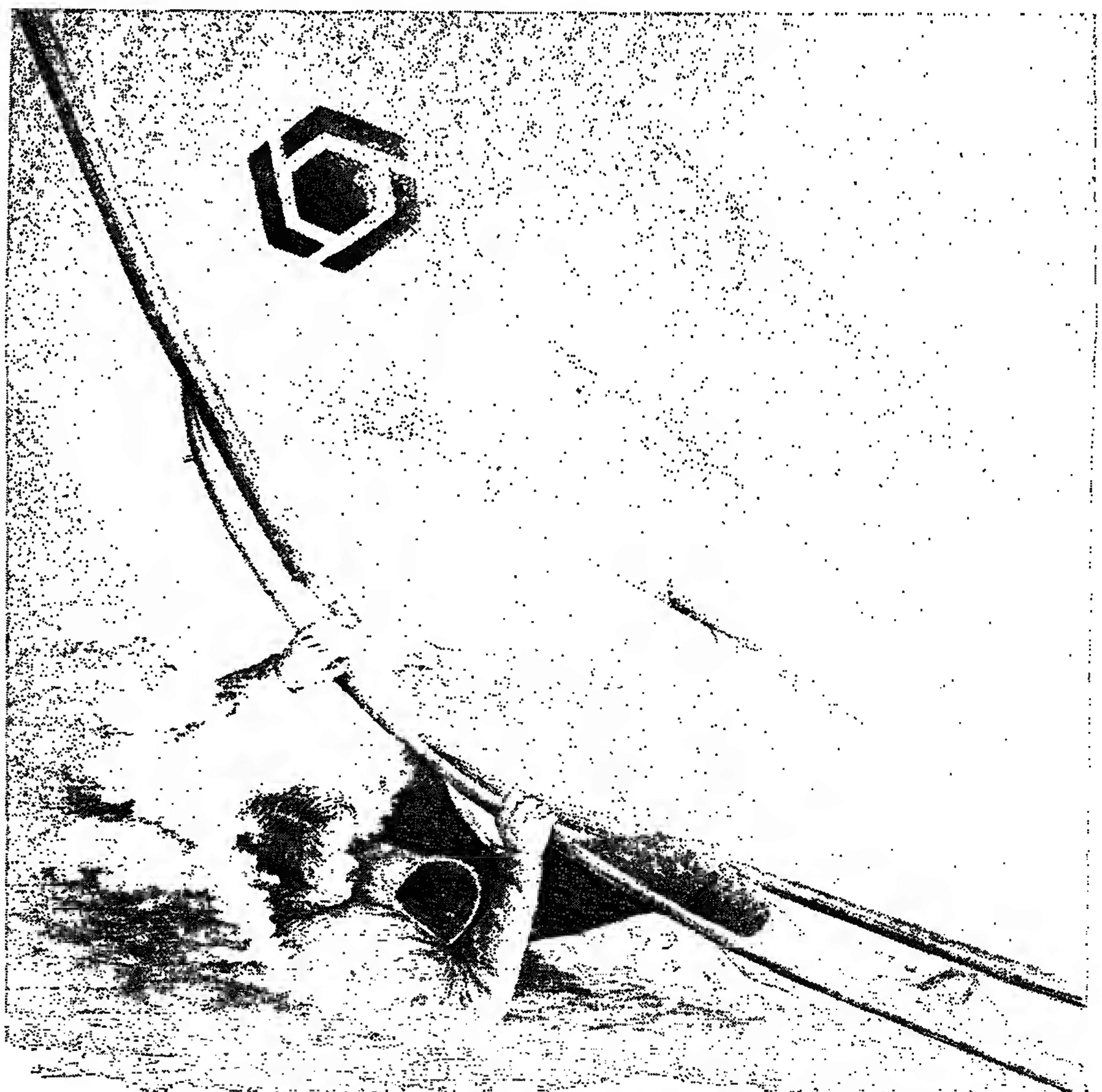
Over the four years since the last oil crisis and price escalation, one marked change has been an increase in the proportion of stocks under control of OECD governments. Their inventories have risen in that period from the equivalent of four days consumption to 15 days. At an estimated 78 days supply, those of the oil industry are only marginally higher than the 74 days held at the beginning of October 1979. Another 25 days supply are believed to be at sea currently.

POTENTIAL FOR INCREASED SUPPLIES

(m b/d of oil)

	July output	Capacity output	Potential increase
Venezuela	1.7	2.5	0.8
Nigeria	1.7	2.4	0.7
Libya	1.1	2.0	0.9
Indonesia	1.3	1.6	0.3
Algeria	0.7	1.1	0.4
Total OPEC	6.5	9.6	3.1
Mexico	2.7	3.0	0.3
Other (Eastern bloc)	n/a	n/a	0.1
Total potential			3.5

Source: Wood, Mackenzie



How Mitel is managing to survive

The Canadian telecommunications company has hit troubled times. Jason Crisp reports on its future plans

AFTER NEARLY 10 years of meteoric growth, Canada's Mitel has run into all the problems that can affect small, dynamic and entrepreneurial companies as they grow larger and demand more professional management.

As one analyst put it: "Mitel is an absolute classic case of how a fast-growing company runs ioto problems . . . by not building an infrastructure, by not controlling costs, having no planning, . . . and so on."

For most of its life Mitel, the telecommunications company which has built its success oo a family of small private exchange PABXs, has been lively, undisciplined and fast-moving, employing bright technically oriented people.

Factories have been springing np all over the world in anticipation of a sustained and dramatic growth. For instance, Mitel has recently built a 300,000 square foot factory In Gwent, Wales, which many companies wonder how It will fill. It also manufactures in several plants in the U.S. and Canada, and in Puerto Rico, Mexico. Ireland, Hong Kong and New Zealand.

Outsiders had beeo warning the company for aeveral years that Mitel needed to iotroduce more professional management. But the company's very rapid growth concealed a number of problems—until they became so acute that they could no longer he ignored.

The problems which have emerged include damaging delays in a major new product, the ending of a major relationship with IBM, the closing of a plaot in New York, and the company'a first-ever losses in the first half of the current financial year.

"The jolt came at the end of the last financial year (February 1983). We realised we had to change the way in which we did things. We are moving from being an entrepreneurial company to one which is professionally managed.

"It means a greater use of forecasting, planning and budgets, and a much more careful look at how we spend money on research and development," says Don Gibbs, who was appointed chief operating officer early this year (Terry Matthews and Mike Cowpland who founded the company are now less involved in day-to-day control).

The problematical SX2000—the long-delayed new large digital exchange — Is a good Illustratioo of the changes at Mitel. According to Gibbs the product was not being properly specified. New ideas—particularly for the software — were forever being introduced. It meant the product would become more complex and not get huilt. "Nobody stood np and said 'No you can't have that hecause we don't have time,'" he says.

Mitel now says that the SX2000 will he available in limlled numbers this month and next with a restricted amount of software. Full production with a full specification, begins In the spring with deliveries at the beginning of April. Britain's ICL will be one of the first companles to get the SX2000—It will be distributing the exchange in the UK after it bas received technical approval from British Telecom.

The new management regime at Mitel has also taken a mucb closer look at other ventures. The review led to a postponement of manufacturing in France because margins in that country were far too low; it also led to the closure of the Burlington, Vermont, semiconductor plant because the extra capacity was not needed; and it hastened the eod of Skyswitch, which was to take the company into the growtb satellite communications business, because Mitel could see more profitable ways of using that investment. (Skyswitch was a joint effort with the U.S. company Scieotific-Atlanta whicb now has a close relationship witb Britain's Plessey, a competitor of Mitei.)

Other management changes Include the establishment of profit centres in Canada, the U.S., Western Europe in the UK, and Pacific countries. (Mitel has received type approval for its SX-20 small PABX from Nippon Telephone and Telegraph and a C$3m Japanese order from a subsidiary of Pioneer.)

Mitel, meanwhile, bas partially spun-off its small products division into a new company, whicb will sell the SX2, a very small "exchange" for use in homes and small businesses. Finally staff who were not performing have been sacked. "We hired tremendous numbers of people and the screening process had tended to slip," says Gibbs.

But the fundamental question remalns: has Mitel done enough to control its costs? Gregory Richards, an analyst at Morgan Stanley, thinks not: "It has not gone far enough. It bas only taken the first steps in bringing the company under control. Mitel's gross margins must be improved and its overhead expenses brought back into line—in the first quarter of this year administration accounted for 30 per cent of revenue."

The market is also getting tougber for Mitel. Just over half of Mitel's sales in fiscal 1983 were in the U.S. where competition has been getting increasingly fierce for PABXs. The company is now predicting a 40 per cent growtb in its U.S. busioess. But tougher competition is almost certainly going to affect adversely its margins, although Mitel has recently put up its prices in the U.S.

Tbe delay in producing the SX2000 has enabled companies like Rolm and Northern Telecom to estsblish tbemselves as leading vendors of this type of equipment. Terry Matthews, first and foremost an extraordinary salesman for Mitel and Its products, is unabashed: "The core company is as strong as ever and our stralegy is as strong as hell. We have a line of products coming out which wlll frigbten our competitors around the world . . . they are dynamlte."

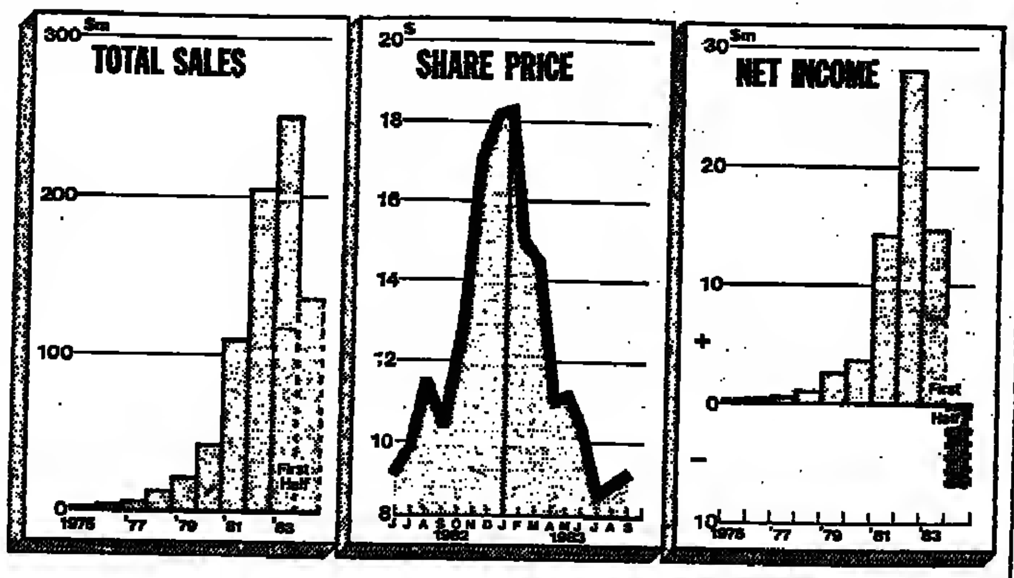
Matthews also argues that the company has speot a large amouot on research and development, the results of whicb will only begin to bear fruit next year. The company's major investment In new plants around the world, moreover, means it can make large increases in production with only a small rise in fixed costs. Mitel'a current overcapacity is such that It could reach sales of C$1bn without having to build another plant.

Mitel acknowledges it will never again achieve tha dramatic growth rates of the past, but is currently looking for an increase in sales of 35 per cent per annum. Some of this will be achieved in tbe U.S. but the dramatic growth, says Gibbs, will be in Europe, particularly West Germany and Italy.

The company also expects to start increasing growth with sales of the SX2000 exchange. But particular empbasis is baing placed on selling the peripherals, like intelligent terminals, whicb can be attached to the excbange. Mitel is well placed to do this because its technology allows relatively large quantities of data to be transmitted along ordinary telepbone wires.

The recent setbacks appear to have dooe nothing to stem the bubbling eothusiasm the Mitel management has about the company's prospects. Terry Matthews now predicts the company's turnover will reacb C$1bn by 1987. Not everyone is convinced. The immediate question which still hangs over Mitel is whether it will at last be able to deliver the SX2000. The share price failed to rise after Mitel had tried to infect U.S. analysts with its enthusiasm at a meeting at the end of last month.

Mitel's misfortunes have been enjoyed hy the more conservative parts of the telecommunications industry, which found Mitel iosufferably cocky. Mitel, bowever, has always heen exceptionally ambltious and in spile of lhe setbacks remains as Irrepressibly bullisb and enthusiastic as ever.



Up and down with IBM

MITEL has come a long way since It began life in Ontario, Canada under the deceptive title of Mike and Terry's Lawnmowers. After a false start in electric lawnmowers Mitel has grown in ten years to become one of the world's leading suppliers of office telecommunications equipment.

The company, founded by two British expatriates Mike Cowpland and Terry Matthews, was until recently one of the hotter growth stocks on the market. For nine of its ten years Mitel regularly doubled turnover, profits and staff with its very successful exchanges based on Its own ndvanced semi-condoctor technology. Bnt for the last year Mitel has been in trouble, culminating in the announcement of its first ever losses in the first two quarters of the current financial year.

The drama began last July when Mitel made a terse 65-word joint-statement with IBM. It declared that Mitel and IBM, the world'a largest computer manofacturer, were to develop a new family of telephone-based products for IBM. As a U.S. magazine commented at the time: "Never in the history of the electronics industry, perhaps, have so few paragraphs produced so much confusion."

Speculation on the significance of the deal was enormous. Bnt it seemed likely that IBM was to use Mitel technology as a quick route inlo advanced telecommunications, having failed to develop a satisfactory range of products internally. The link represented a major step in the convergence of compnter and telecommunications technologies.

While nobody outside the companies knew much about the details it seemed clear the giant IBM was giving Mitel's technology Its considerable blessing; it was also potentially a massive distributor of Mitel's products.'

But if that deal with IBM marked a high point in Mitel's meteoric career it did not take long for It to be toppled. Throughout most of 1983 the news from Mitel has been unremittingly bad:

- The development of Mitel's new generation of digital PABXs—the SX2000—ran Into serious difficulties. This is a key product for Mitel. It is Mitel's first digital and first large exchange taking it into a new and important section of the market. This was also the crucial technology which had attracted IBM becanse of its application in office antomation. Tha SX2000 is now over a year late, and still a major drain on development finance.
- More damagingly for Mitel, the delays hrought an end to the joint-development agreement with IBM. For in June this year IBM bought a 15 per cent stake in Rolm, a high-flying Californian telecommunications company which Is a major competitor to Mitel and which had already overcome the problems of producing a large dlgital exchange. Nearly $4 was knocked off Mitel's share price in a day, bringing it down to $14.25. Why IBM dld not recognise the problems before entering an agreement is a question which remains unanswered."

BUSINESS PROBLEMS BY OUR LEGAL STAFF

Computerised accounts

Do you know what would be the legal position if an account (bank statement, invoice) was considered in error, and the firm producing it could not prove that their computer had not (or could not) be interfered with from outside?

What matters in law Is the actual state of account between the parties. It is open to a party to show that an account is wrong whether the account Is prepared by a computer or otherwise; and a full examination of all proper credits and debits should give the true plcture. Even with the use of computers the fact remains that the accuracy of an account depends on the correctness of the programming of the computer, and that can be challenged.

Taxation and an angel

IF I becoma an "angel" supporting a West End musical or play what are the tax considerations? Do I get any reliefs similar to those offered nnder Business Expansion Schemes?

If you should make a profit, it will probably be taxed as investment income (under case VI of schedule D). If you should make a loss, you may well find you get no tax relief (unless you have case VI income from other sources in future).

The following is taken from Hansard for March 1 1983: "Mr Arnold asked the Chancellor of the Exchequer whether section 176 of the Income and Corporation Taxes Act 1970 has ever been applied to losses on theatrical productions. Mr Ridley: Yes, I can confirm that section 176 may apply to such losses. Whether relief is due will depend on the particular facts of a case."

Estate agent and deposit

The estate agent for rentals (private company) which was holding my tenant's refundable deposit on my behalf, has gone into voluntary liquidation, with no assets except 4/5th of the cash deposits it was holding as a trustee between the landlords and tenants. My questions are:

1—Am I right to consider these deposits as trust funds and as such not available for creditors and not even available for liquidation expenses?

2—Could the 1/5th already spent by the director out of the trust funds, be traced from the recipients?

3—How long can the liquidators delay distribution of the remaining trust funds, to the rightful owners, as it seems advantageous for them to hold on to the cash and receive the interest?

4—Are the only two directors (also shareholders of all shares) of the company, liable to imprisonment, under the Trustee Act and Estate Agents Act, for using the trust funds?

5—As tho tenant considers the estate agent as my agent can he look to me to make good any shortage out of the liquidation?

6—Would I be entitled to receive the full cost of damages to my property from the tenant, when he vacates the property, if he has not received his money back by then?

1—Assuming that the deposits were In fact held in trust for you, they would not form part of the general assets of the company.

2—Yes, provided the ordinary rules applicahle in tracing cases are satisfied.

3—In the case of funds which the liquidator accepts as not being part of the general assets there should be no need to withhold them pending completion of the winding up, but prudent llquidators might seek an indemnity as to the costs attributable to the distribution of the funds in question before releasing them.

4—No. But If It can be shown that there has been theft of the funds a prosecution under the apropriste section(s) of the Theft Act would be appropriale.

5—If the estate agent can be shown to have beld the deposits as your agent (as you suggest is the case) a tenant could sue you for his deposit or such part of it as might be due after allowing for any items which you would have been entitled to deduct from that deposit.

6—You would be entitled to recover from the tenant any damages properly recoverable under the contract of tenancy, but would have to give credit for the amount of the deposit of that tenant.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

THE ARTS

Television/Chris Dunkley

If it's Omnibus it must be autumn

The past week has felt considerably more like the start of a new season than did the official opening of the autumn schedules in September, what with such brand new series as *By The Sword Divided*, *Jane Eyre*, *Sweet 16*, and *Hotline* on BBC1, *Photo Assignment* on BBC2; *Hardcastle And McCormick* on ITV; and *The Arabs* and *Karl Marx* on Channel 4, plus new batches of *Omnibus*, *The South Bank Show* and *Rumpole Of The Bailey* all opening within a few days.

In particular the return of the two arts series proves that only now is the autumn really with us. Long ago viewers recognised the unshakable belief within television that in the summer painters stop painting, writers don't write, and the theatres go dark and that it is only when the evenings draw in that these odd people get back to work. Thus, as cuckoos herald the spring and swallows the summer, the reappearence of *Omnibus* and *The South Bank Show* proves that autumn is truly here.

The two series reopened with programmes which typified their mildy contrasting approaches. For *Omnibus* Richard Baker travelled to Positano where we saw him chatting in a friendly way to Franco Zeffirelli about his forthcoming film of *La Traviata*. Baker did once mention that some people might feel the new film looked like a long television commercial, but there was never much hope that the programme would face up squarely to the main criticism: that all Zeffirelli's films look like the work of a superb set designer promoted beyond his abilities.

The South Bank Show also opened with a profile, but of an English artist—John Piper—and although it was billed as "a tribute" it was more rigorous in getting the artist to respond to criticism. Piper himself, much given to navy or black skies, revealed that King George VI remarked how "Mr Piper's been awfully unlucky with the weather," the sort of needling to which Piper seems immune. The programme was also better at putting his work into context.

Clearly one of Melvyn Bragg's objects as editor of *The South Bank Show* is to interview and show the work of the leading exponents, especially British exponents, of various art forms who may not be with us all that much longer. This *alone* might make his programmes more interesting to posterity than the Zeffirelli type, but more significant now and for the future is his habit of encouraging his subjects to analyse their own work. It is perhaps easier to watch and listen to Piper working with sketchpad and watercolours than to Zeffirelli working in his studio. But in its interviews *The South Bank Show* tends nowadays to push considerably harder than *Omnibus* which seems content to stay at the entertainment end of arts programming, leaving any sharper approaches to *Arena*.

Lucy Aston (left) and Sharon Mughan in "By the Sword Divided": BBC 1's new historical saga

Of the week's new drama much the most promising (given that *Rumpole* is a known quantity held in high esteem) was BBC1's saga of the English civil war *By The Sword Divided*. It will take a couple more episodes to be sure whether the series creator John Hawkesworth, producer Brian Spiby, and director Henry Herbert were right to go for a dialogue style only just this side of "Od's bodikins!" It did not intrude quite enough to kill the suspension of disbelief in Episode 1 but "Faith! It's what he wants to be, is't not" and "Three of the clock" and "Let us ride into the woods while they prattle" is inevitably noticeable.

The signs are, however, that when we are better able to see it as a whole the series will look just as fine a piece of craftsmanship as Hawkesworth's *Upstairs Downstairs*. Already the locations, sets, costumes and properties are impressive (given the difficulties of adapting landscapes for a 1920 drama — losing all the TV aerials and so on — imagine the impossibility of doing the same for 1640) and the historical scene setting has so far been masterfully unobtrusive.

Without so much as the click of a researcher's ring binder we have been painlessly reminded of the eclesiastical courts, the protestant battle against vestments and decoration, the pox, the king's onerous taxes and the wars in Ireland and Scotland as well as the low countries. Better still, the story has quite enough narrative power to pull one back to find out what happens next.

The same cannot be said of *Hardcastle And McCormick* which turns out to be just another American series about a crime-busting duo. This time it combines the essence of a vengeance movie with the stock car antics of *The Dukes of Hazzard*: a tough, wily, and grey-haired old judge (Hardcastle) teams up with a young dirt-track racer and ex-con (McCormick) to bring to book the bad guys who have evaded punishment by exploiting legal technicalities. Assuming the tediously long opening episode was typical this series lacks all the originality and social awareness of American series such as *Lou Grant* and *Hill Street Blues* which were being praised here last week.

Presumably *Sweet 16* imagines itself to be original and socially aware: it is a half-hour situation comedy series about a middle-aged millionaire builder who is aggressive, witty, domineering, and a skilful driver of very fast cars falling in love with a sweet young thing who is slim, fair-haired, smooth-skinned, blue-eyed, and completely under the builder's thumb. The builder, who is called Helen Walker, is played by Penelope Keith, and the sweet young thing, Peter Morgan, by Christopher Villiers.

The trouble is that over the past five years British sit-coms have stuck so slavishly to the feminist conventions of table-turning that you could only be original today by *not* having a silly little wimp of a man and *not* having a woman who *is* bigger, brighter, and bossier.

The novelty of the week was *Hotline*, a live phone-in programme about solving little problems (a dance partner needed, holiday snaps sent to the wrong family etc) which it seems is modelled on a popular French series.

The trouble with an opening programme of this sort is that you clearly cannot afford to risk there being no response and so the "mystery object" which had supposedly been residing "in Gloria Hunniford's drawers" for years and was produced at the start was oh-so-conveniently identified at the end by the arrival in the studio of a young man with the object displayed on a live chicken's beak. And the two ladies d'un certain age looking for dancing partners were met by two men of the right age who just happened to get to the studio wearing nice suits and fresh haircuts to partner them. And somehow Chris Tarrant knew that the "chance" caller ringing about a gramophone-record-cigarette-card possessed the ancient equipment to play it on, and so on and so on. Apart from the people looking for unidentified holiday snaps (who received no calls whatever) the whole gallimanfry was as phony as all get out.

We shall return to the new factual programmes such as *The Arabs* and *Karl Marx* at a later date.

*

I must correct the claim made in last week's column that BBC1's recent screening of *Gone With The Wind* was the "umpteenth." It seems that this was only the second and, what's more, the first to include the whole film in one evening. Perhaps it is just the length; it certainly *felt* like the umpteenth screening, and it is rather appalling to think how many more times the BBC is entitled to show it.

What I do not retract is the suggestion that this was a "spoiling operation." The BBC finalises its schedules after the ITV schedule is known thus the decision to put a repeat of *Gone With The Wind* up against the launch of the new ITV *Agatha Christie* series and Channel 4's *Oresteia* was deliberate. Had the BBC risked reduced ratings for a new series of its own against the new ITV series that might have been regarded as healthy competition (if annoying for the viewer) but throwing in a repeat of a Hollywood blockbuster has more to do with the attempt to contain ITV's ratings than with "offering a choice." It may also be significant that *Gone With The Wind* becomes available on videocassette later this month.

Moïse et Pharaon/Paris Opéra

Andrew Clark

For his first season at the Paris Opéra, Massimo Bogianckino has devised an enterprising programme of works written or adapted for Paris by non-French composers—a theme that offers scope for the hybrid and the rare. Rossini's *Moïse et Pharaon*, which starts the series, is a case in point. It began life at Naples in 1818 as *Mosè in Egitto*, gained the famous Red Sea prayer at its revival the following year, and was extensively reworked for Paris in 1827.

The recent recording conducted by Claudio Scimone (backed up by well-received performances at this year's Pesaro Festival) has brought the merits of the first version very much to the fore, but the current revival of the later score at the Palais Garnier puts Rossini's musical adaptation in an equally flattering light. The Paris version is longer and weightier in atmosphere and orchestration, its most distinctive characteristic being the way the composer tailored his material to the grander French operatic style of the day, and increased the importance of vocal ensemble over individual aria.

Moïse does not bear much subtlety of plot or characterisation. Its principal dramatic force is the conflict of will between Moses and Pharaoh, their peoples and their gods, but there is an important subplot of "love versus duty" involving Moses' niece Anaï and Pharaoh's son Aménophis. This brings a welcome note of human complication and musical lyricism, lightening the solemn Old Testament picture language without altogether removing the suggestion of dramatic oratorio.

Whatever the limitations of the subject matter, the music is clearly inspired. I cannot remember being so immediately captivated and impressed by the honesty, seriousness and sheer beauty of a Rossini score. There is some characteristically artful decoration in the duets—particularly for the soprano role of Anaï — and there is the occasional glimpse of an excited string-based crescendo. Yet the heart of the score is its conjuring of an air of yearning and sadness, through its sensitive use of individual woodwind, the poignant writing for lower strings and the even matching of voices.

That these points should have emerged so directly is a tribute to the quality of musical preparation in this production, which included every scene except the ballet. The orchestral playing under Georges Prêtre was consistently good; the chorus realised the size and dignity of the grand tableaux with clarity and confidence, and the cast was well chosen and balanced.

Samuel Ramey sang the title role with his customary intelligence and boldness. His diction and French accent are superb, and his well-produced voice has the right focus for this music (though his part is one of the least exposed). If he looked uninvolved, it was the fault of the production, which had him looking like a pious young curate.

In spite of her unintelligible French, Cecilia Gasdia justified her growing reputation with an accomplished portrayal of Anaï, her mature timbre and comely stage presence belying her 23 years. Jean-Philippe Lafont's Pharaoh was aptly beefy in voice and appearance, and Keith Lewis's young tenor lent a gentle lyricism to the part of Aménophis, though there is brittleness to the voice above a *mezzo forte*.

So the standard was polished, rather than inspired. The exception was Shirley Verrett as Sinaïde, Pharaoh's consort. In a single burst of electrifying musical and visual characterisation at the end of Act II, she showed how a shaft of individual flair can pierce an atmosphere of dramatic gloom.

This was Luca Ronconi's first production in Paris, and it was a depressing affair—esoteric and pseudo-intellectual in its visual imagery, damp and lifeless in its use of the stage. His aim appears to have been to treat the work as a play within a play, viewing it through the cultural spectrum which gave it birth, drawing cross-references between biblical Egypt and the religious, architectural and musico-dramatic world of late 18th century Europe.

Whether or not you agree with this as a valid starting-point for a modern production of the opera—and I certainly do not—the result in this incarnation was cramped, confused, unintelligible. Ronconi imported some of his pet staging tricks—the sheep-dip stage floor and walled-off wings — that worked no better here than before. Sphinx designs rubbed shoulders with vestiges of Catholic piety, pall-bearing African slaves shared the stage with austere 18th century French Jews, while Pharaoh's high priest, complete with feathered crown, inhabited his own self-contained baroque organ gallery.

Even the ill-fitting cardboard representation of the Red Sea scene in the final act seemed cheap and contrived, in stark contrast to Rossini's serene closing pages, which had the soothing effect of balm.

Yuri Simonov/Festival Hall

Andrew Clements

Yuri Simonov has been principal conductor of the Bolshoy Opera since 1970, but he first appeared in London only last year, conducting *Eugene Onegin* at Covent Garden and several concerts with the London Symphony Orchestra. The distinction and excitement of his opera performances were translated with almost equal success to the concert hall, displaying a flair for the dramatic that only occasionally misfired.

His return to the LSO at the Festival Hall on Monday fully exploited those histrionic talents. The orchestra played well for him, and when near its best has a fibrous, aggressive blend that accords well with Simonov's grainy approach. The way in which detail is thrown forward, almost spotlighted, by the LSO is more characteristic of American orchestras than of any of its British or European rivals. In Chaikovsky's Overture-Fantasia *Hamlet* Simonov made vivid use of that ability, carving out the episodes in stark relief, allowing the brass its head, and leaving the relatively loose structure to fend for itself. The *Hamlet* overture is less relentlessly organic than its equivalent on *Romeo and Juliet*, and less faithfully programmatic too; a firmer hand on the direction of things would not have gone amiss here.

In Beethoven's fifth symphony also, theatricality was favoured over formal niceties. But such was the charge behind it that the whole cohered more successfully than it deserved. The first movement was implacably fierce, the Andante observed its *con moto* qualification to lyrical effect. Only the finale delivered its coup *de grace* a shade prematurely and required some artfully disguised rhetoric to hold the tension; under a less compelling conductor it would have seemed like straightforward vulgarity.

Anything so earthy would have been welcome in Henryk Szeryng's Chaikovsky violin concerto, which separated overture and symphony. His detachment had an anaesthetising effect on orchestra and conductor who were respectful rather than enthusiastically supportive. On a technical level Szeryng's playing was remarkable for its technical certitude and fastidious articulation less commendably, it was equally remarkable for its total lack of warmth and spontaneity — an icy surface seemed to mask a glacial core.

Gardenia/Gate

Martin Hoyle

When Lydie upbraids her husband for letting her pot-plant wither ("*Didn't you water the gardenia? Couldn't you water it?*") we know that whatever the state of vegetable life in this post-Civil War utopian community in Nantucket, the symbols at least will prove hardy bloomers.

This first impression is unfair, for John Guare has written a serious play about the nature of idealism and mere illusion, the clash between visionary and realist. Like Audrey II in *Little Shop of Horrors*, however, the rampant plant tends to get in the way.

The flagging Socialist commune of three men and a *woman, married* to one but attracted to another, is disrupted by the acquisition of a vast sum of "hot" money. The failed writer temporarily leaves his wife for Europe, the discontented misfit goes to law school; emotional tensions lead to murder.

The strong woman cracks up, an embittered failure (even, it transpires, at killing). Her husband finds contentment in prison and writes a potential masterpiece. Now politically ambitious, the law graduate panics at the prospect of scandal with the book's revelation of their communal life.

Their confrontation in the writer's cell (against the background of the execution of a murderer improbably known as "the Brighton mauler" illustrates the self-fulfilment possible when visions are cut down to size, a theme prominent in Guare's screenplay for *Atlantic City*. As the writer observes, "In all our dreaming, we never allowed for our petty squalid furies." But his wife finds life unbearable without the grandiose illusion: "You are empty," is her contemptuous reply.

Her shattered presence, however, succeeds in destroying his equanimity. "For the first time *this is prison*," is his bitter reaction to the loss of his comforting cocoon of self-absorption.

The couple are convincingly played by Blain Fairman and Lynn Webster, the latter an especially sensitive and authoritative performer. Mr Guare's dialogue sometimes sounds as if a college drama course had drummed into him the need for the steady clash of symbols; and a tiresome Irish jailer played with the pace of a faltering snail is a definite mistake.

Dark horses triumph at Cheltenham

Alan Forrest reports on the highs and lows of a literature festival

Britain's oldest and best literature festival ended at Cheltenham last weekend with the usual prizegiving parties—this year with TV cameras present. I'm sorry I wasn't in at the death, because last days at Cheltenham are usually days of wine and roses.

Some people do not believe in literature festivals. They say that writers should sit down, write, stand up, publish and shut up, and any public appearance after that is a form of indecent exposure.

But Cheltenham's festival has survived for many years on the opposite opinion. And it must have helped a lot of writers, particularly young poets who rely on fees from public readings to provide anything remotely approaching gracious living.

On the other hand, the town benefits, too, by this annual invasion of Bloomsbury, Grub Street and the sticks. I remember when Michael Foot, then recently appointed Labour Party leader, spent Friday evening lecturing on William Hazlitt and then on Saturday morning ploughed back his fee-plus on first editions of Byron at a local bookshop.

As usual, it was a week of high thinking and high drinking, a great success, in spite of one or two hiccoughs. A. J. P. Taylor, billed as one of the festival's stars, had to cancel his lecture on *History as Literature* because of illness, but A. L. Rowse was signed up at the last minute.

Cheltenham has always been strong on poetry, an overhang of P. J. Kavanagh's successful years as festival director. One of his triumphs was a programme some years ago when the Cotswold poet, Ivor Gurney, was pulled from obscurity, and an evening of Gurney's songs and poems was one of the festival's dark horses that paid off.

This year's revived Cotswold poet was F. W. Harvey, like Gurney a World War One soldier, whose poems have just been reprinted. He was a local solicitor, and something of a folk-figure—it's claimed that he wrote some of his poems in chalk by the dartboard of his local pub.

The Harvey session, however, was one of the hiccoughs. For some reason, it had been decided that it should be anchored by the Durham ex-miner author, Sid Chaplin. Mr Chaplin performed as admirably as possible, but there were Gloucestershire loyalists who seemed to resent hearing Cotswold poetry recited with a Geordie accent. In fairness to Mr Chaplin, he did have a Gloucestershire man by his side to read Harvey's dialect poems.

But the Harvey programme was only the prelude to a fascinating one about Wilfrid Owen. In this Peter Florence, a young actor, does a one-man play based on Owen's work, aided only by an officer's jacket, a steel helmet and a rifle. It was an astonishing literary and theatrical trick that really works—the Owen of the diaries and of the poems emerges, the shadows of H. G. Wells, Siegfried Sassoon, Robert Graves and Arnold Bennett flicker across the stage, and *The Pity of War* (the programme's title) brought tears to a town steeped in military history.

All in all, it was a successful first festival for Gordon Parsons, the new director. It started with a party graced by Dame Peggy Ashcroft and a celebration of Samuel Pepys with 17th century music on the lute by Robert Spencer. John Westbrook played Pepys and Jill Nott-Bower Mrs Pepys.

I ducked the Virago Afternoon—a session of feminist polemics from this excellent feminist publishing house—but I admired Gabrielle Hamilton's performance as Virginia Woolf in *A Vision of Virginia*, a nice actressy performance, but not quite so good as Susan Chitty's witty and informative talk about her mother, Antonia White. This was another successful dark horse of the festival.

And so it went on. Other plums included Raymond Williams, a forum on Marxism and literature, Michael Hordern on Izaac Walton, a talk by the American feminist Selma James discovering a philosophical link between Mozart and Jane Austen.

It was nice to bow out of Cheltenham with one of the festival's best late-night cabaret spots. This was singer Angela Holmes's programme, *Whores and Wars*, which comprised Brecht/Weill, Cole Porter, Stephen Sondheim, and Richard Rodgers.

There we were with the lights low in the Town Hall bar listening to "Pirate Jenny" sung as Brecht intended it to be sung, and there's not much greater praise than that. The only thing I regretted was that in all this time Cheltenham hasn't established a real Festival Club where performances such as Ms Holmes's can be given in the right atmosphere of relaxed late-night debauchery.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 14–20

Theatre

LONDON

The Tempest (Barbican): Derek Jacobi takes a short respite from his recent triumph as Cyrano to add last summer's Stratford Prospero to the RSC London programme. A younger magus than is usual, he gives a performance that is technically accomplished and imaginatively adventurous. An entertaining production. (628 8795).

Tales from Hollywood (Lyttelton): New Christopher Hampton play about the European emigrés working in Tinseltown during the war. Intelligent, witty and pertinent play about the artist in exile, with Michael Gambon as the lugubriously resurrected Odon von Horwath and Ian McDiarmid a predatory, very funny Brecht. (928 2252).

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

A Patriot For Me (Haymarket): Alan Bates leads a wonderful revival of John Osborne's masterful play about sexual and conspirational intrigue in the Austro-Hungarian empire. A rich tapestry, with a famous drag ball scene at the centre. (930 9832).

Great and Small (Vaudeville): Glenda Jackson in top form as an urban lady on the brink. Keith Hack's production is very fine, and London has done full justice to Botho Strauss, one of West Germany's leading young playwrights. Pessimistic material but a highly refreshing, and above all different, sort of evening. (836 9988).

Glenda Jackson appears at the London Vaudeville

Song and Dance (Palace): Surprise hit at the Palace, newly acquired by the show's composer Andrew Lloyd Webber. Lulu now sings, Graham Fletcher dances. Overblown middle-brow stuff. (437 6834).

Blood Brothers (Lyric): Strong rock melodrama by Willy Russell about Liverpool twins separated at birth. Pop star Barbara Dickson, very like a young Gracie Fields, is superb as their grief-wracked mother. (437 3686).

NEW YORK

La Cage aux Folles (Palace): Perhaps this season's outstanding musical comes, like Evita and Cats before it, at the very beginning of the theatrical year. Despite stellar names such as Harvey Fierstein writing the book and Jerry Herman the music, the best parts of the show are not the hoopla, apart from the first-act finale a la Gaîté Parisienne, but the intimate moments borrowed direct from the film. (757 2626).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Extremities (West Side Arts, 43rd W. of 9th Av.): The realistic portrayal of sadistic rape, with which the play opens, makes for uncomfortable but rich drama, and author William Mastrosimone manages to maintain high energy levels to challenge an excellent cast. (541 8394).

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370).

CHICAGO

E. R. (Forum): Moving into its second year parodying melodrama in a hospital setting, this emergency room continues its adventures among a young doctor, a receptionist and an authoritarian nurse. (496 3000).

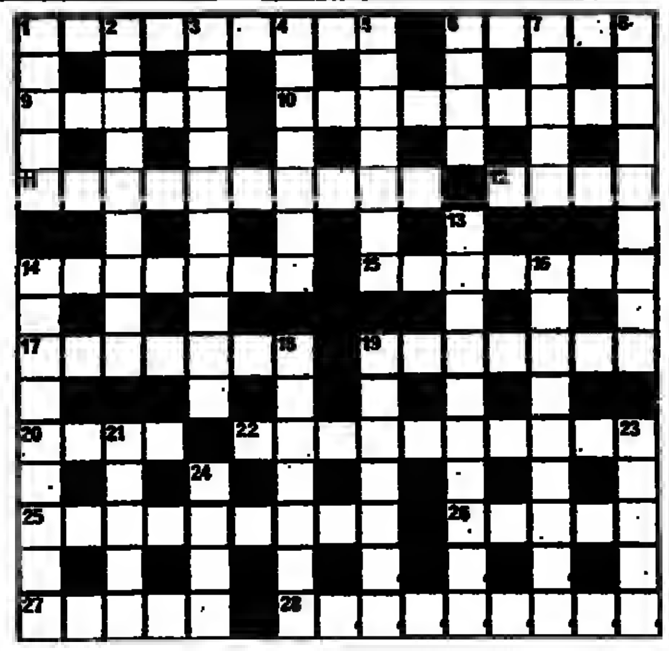
A Raisin in the Sun (Goodman): season opener celebrates the 25th anniversary of Lorraine Hansberry's play that explores racial conflict when the black Younger family move to a white neighbourhood. Ends Oct 30. (443 3800).

WASHINGTON

The Importance of Being Earnest (Arena Stage): with Richard Bauer as Lady Bracknell, Tom Hewitt as Jack Worthing and Marilyn Caskey as Gwendolyn, the Arena Stage gets an exuberant start to a season that will include two contemporary British plays, Simon Gray's Quartermaine's Terms and Caryl Churchill's Cloud 9, as well as Christopher Durang's Beyond Therapy and Chekhov's Three Sisters. Ends Nov 13. 6th & Maine SW (488 3300).

Troilus and Cressida (Folger): Treating Shakespeare's version of the Trojan War as satire, director John Neville-Andrews casts Craig Paul Wroe as Troilus, Greta Lambert as Cressida and John Wylie as Pandarus. (546 4000).

F.T. CROSSWORD PUZZLE No. 5,246



ACROSS

1 Possibly trains one horse for Quixote (9)
6 Enraptured so to speak by perfume (5)
9 Cunning occupation (5)
10 Oriental planet is gloomy (9)
11 You may hear it right in new gasometer (10)
12 Capital city containing mineral (4)
14 Spoilsport to defeat girl (7)
15 Moab and Lot organised a lottery (7)
17 Sister of Laban needs direction to become novelist (7)
19 Glad to get quiet let (7)
20 That female with daughter cast off (4)
22 Minor kind of treatment (10)
25 Maybe it sprouts and surpasses (9)
26 One old magician becoming an idol (5)
27 Antelope died after dash (5)
28 Black for example thrashed and lashed by waves (3-6)

DOWN

1 Cares to change at Newbury perhaps (5)
2 Its members find it expensive not to borrow! (5-4)
3 Toad has chat with sailor (10)
4 Relation goes up to eastern woman with posy (7)
5 Once a pamphlet to remove (7)
6 Certain to see bridge player on river (4)
7 Boy has a shrub (5)
8 Dig deep—a way to discover father of the RAF (9)
13 Authoritative sort of mood (10)
14 Set broken unfortunately by the road (9)
16 Carefully attentive Franciscan friar (9)
18 Liar writes two articles I like (7)
19 A despot tortured Italian magistrate (7)
21 Additional former skill taken up (5)
23 Many have inclination to be tidy (5)
24 I love leaving artist's room to see horses (4)

Solution to Puzzle No 5,245

FINANCIAL TIMES

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Wednesday October 19 1983

Anglo-French attitudes

ANGLO-FRENCH differences in the European Community over the right way to solve the various aspects of the Brussels budgetary crises have by now become all too familiar. No doubt their reiteration will be the centre-piece of this week's talks between Mrs Thatcher and President Mitterrand. But it will be a great pity if they merely pound away at the subjects which, until now, have divided them, at the expense of others where they should be able to look for common interests. It will be an even greater pity of they confine themselves to specifically Community questions, to the exclusion of the broader political issues of peace and stability in a dangerously turbulent world.

That there will be some hard pounding is inevitable. Mrs Thatcher's government has consistently argued that there must be strict controls on Community farm spending as well as a durable solution to the British budgetary problem, before it will agree to any increase in size of the Community's revenue. No doubt the French government must hope that Mrs Thatcher will, in the end, compromise for the sake of an agreement; but having seen Mrs Thatcher in action on several previous occasions, President Mitterrand can scarcely expect any softening in the British position this week, so far in advance of the European summit which takes place in Athens in December.

The converse is also true. Mrs Thatcher must hope that the French government will, in the end, compromise for the sake of an enlargement of the Community's resources. But the British demands would impose a cost on most if not all of the other Community countries, and compromise is unlikely until we get closer to, or even past, the December deadline.

In that sense, the pounding could — or at least should — be a formality. The most useful function of this week's talks would be as an occasion for a constructive discussion of where the Community should be going *after* the current crisis has been resolved, as it must be. The dangers of disagreement leading to deadlock and breakdown can only be heightened if two of the major combatants fail to reach a shared understanding of the value and the opportunity for enhanced cooperation in the Community context in future.

Both countries have a major stake in the health of the European economy, and despite a protectionist reflex which still comes too naturally to the French, both governments know that there is no good alternative to the Community. The only question is whether it can be made to work better as a truly common market, and whether its instruments and institutions can more effectively serve the common interest of economic recovery and competitiveness.

London and Paris have both tabled proposals for strengthening the Community. In the end, there can be no substitute for detailed negotiation. The important thing, this week, is for the two leaders to search out the maximum areas of common perception and aspiration.

If anything, common perceptions will be even more important in their approach to the major problems of the international scene, starting with East-West relations and arms control. Until now, they have each devoted energy to stiffening support for Nato's Euro-missile policy, but the time may be coming for a shift of emphasis. It seems virtually certain that there will be no early U.S.-Soviet agreement, and that the new missiles will start to be deployed in December. Once that happens, Britain and France will need to consider, and to coordinate, a more forthcoming approach to the broad issue of arms control negotiations, including the contribution that they can make to the process.

Dangerous frost

Mrs Thatcher has long been a stout supporter of the thrust of President Reagan's policies, and President Mitterrand has proved more Atlanticist than any of his Gaullist predecessors. Yet neither of them can welcome the dangerous frost that has overtaken East-West relations. The probability that Mr Reagan will seek, and may well secure, a second term, raises the question whether it is possible to do anything to calm the anti-Soviet rhetoric of the White House.

In this context, the choice of Mr Robert McFarlane as National Security Adviser may be a hopeful sign, for he has over a decade of experience in the foreign affairs field, is not an ideologue, and commands respect at the State Department.

Whether these qualities can influence President Reagan's ingrained instincts is, perhaps, another matter.

Mozambique looks West

PRESIDENT Samora Machel of Mozambique arrives in London today on an official visit which underlines the desire of this avowedly Marxist state to improve its relations with the West. He is looking for closer economic ties, including aid, trade and investment. He hopes to reinforce diplomatic relations, which are good, if low-key. And he is even seeking to establish some modest military co-operation, including training and equipment supply.

He is also hoping for greater sympathy and support from Europe for his country's plight in the front line of the conflict between Black Africa and South Africa—a conflict given a new twist just this week by the South African commando raid on a target in Maputo, the Mozambique capital.

Inevitably, interest in the visit has focused on the possibility that Mozambique is somehow moving away from the Soviet bloc, and modifying its Marxist stance, in favour of a rapprochement with the West. President Machel has made no secret of his interest in military assistance from countries like Britain, France and Portugal, in spite of having a friendship treaty with Moscow, which includes a defence pact.

He has said he wishes to join the Lomé Convention, although that would seem to clash with his desire to join Comecon. And he is seeking greater involvement of Western capital in key economic sectors like mining, oil exploration and manufacturing industry. Yet it would be wrong to exaggerate the extent of any ideological shift in Mozambique, or indeed to see President Machel's policies in such stark Cold War terms.

Since the trauma of independence in 1975, when the Frelimo guerrilla movement was thrust precipitately into power by the mass exodus of Portuguese settlers and administrators, the ruling party has been guided by a curious mixture of doctrinaire and pragmatic policies. In foreign relations in particular President Machel has always proved one of the most flexible leaders of the so-called Front Line States, playing a key role in promoting a settlement in Zimbabwe (by urging the nationalist movements to go along with it), and doing the same today in the efforts to achieve a peaceful settlement in Namibia. He could never be classified as a rigid adherent of Soviet policies in Africa.

Domestic economic policies have proved more doctrinaire, yet in part that has been dictated by circumstances: the exodus of Portuguese companies forced the government to take over many sectors of trade and industry which might otherwise have been left alone. Mozambican officials have always made it clear that they were interested in joint ventures with Western capital, provided they did not conflict with their broader aims of equity and long-term development.

Fear of instability

The greatest discouragement of private investment in Mozambique is not so much the government ideology as the fear of instability in the region, which has compounded the lack of infrastructure and management capacity in the country. President Machel is convinced that South Africa is the major source of support for the Mozambique National Resistance, whose guerrillas heve repeatedly sabotaged major installations, railways, roads and power lines. He certainly would like to see greater Western action to discourage the Pretoria government from supporting such activities. In return, ha has ordered the African National Congress of South Africa to pull back its guerrillas from Maputo.

Britain must also be interested in promoting maximum stability in the region. Mozambique provides a vital communications routa for a number of Anglophone African states, such as Zimbabwe and Malawi: it is those railway lines which have been sabotaged. To that extent it is right to welcome President Machel's visit, and respond to his requests for aid, even for modest military training facilities.

THE U.S. PRESIDENCY

Reagan: up and almost running

By Reginald Dale, U.S. Editor, in Washington

PRESIDENT Ronald Reagan has now done everything possible to prepare his re-election campaign next year, except admit that he is actually going to run. For months now, he has acted like a man on the stump, swinging round the country and the capital in traditional campaign style, and he shows no sign of letting up.

In the past few days, he has paid a well publicised surprise visit to a World Series baseball game, announced that, thanks to his policies, Act One of an American "industrial renaissance" is under way and undertaken a limited but important reshuffle of his senior advisors that should give his team a somewhat less controversial pre-election profile.

On Monday, his 1,000 day in office, he went further than ever before in signalling his intention to seek another four years in the White House. Although he was not actually required to, he signed papers, setting up a "Reagan-Bush '84" campaign committee—allowing his supporters to start official fund-raising and other political activities—and left only a technical escape route if he finally decides to back out.

He still, in the words of his friend, Senator Paul Laxalt of Nevada, has some "wiggle" room. But his officials and his campaign organisers are now almost daily expressing complete conviction that he is running and declining even to contemplate the thought that the Republicans might have to find another candidate.

There is still quite a powerful school of Washington political analysts which says that he will in the end drop out. The reasons, advanced singly or in combination, are that he wants to spend more time at his California ranch (they cite his initial reluctance to return to Washington after the Korean airliner was shot down); that an emaciated - looking Nancy Reagan is not well (strongly denied by the White House); that four more years are too much for a man who, at 72, is already the oldest President in U.S. history; and he has already achieved most of what he set out to do by fundamentally altering the country's economic and political structure.

Again, he might well not want to run if he thought he seriously risked losing. The fact remains that if he pulls out now, it will be a political upset of mammoth proportions, and one that would risk throwing the Republicans into serious disarray.

As it is, with his instinct for showmanship, he appears to be thoroughly enjoying keeping the country in suspense. Last week, word came out that he would finally announce his intentions in December, at the weekend, it was November, and then on Monday he seemed to suggest it might not be until January.

It would not be Mr Reagan's style to make a hurried announcement. A few days ago he again repeated that he will leave it to the last minute because if he says no too early he will be a lame duck President; if he says yes, every one of his actions will be taken as politically motivated.

Ashley Ashwood

President Reagan (left) and two leading Democratic contenders: Mr Walter Mondale (centre) representing traditional liberal values, and Mr John Glenn (right), rightish-tinged centrist with "winner" image.

His top White House aides, however, are already talking openly of his 1984 campaign. They suggest that it is not going to be very much different in style or content from his successful assault on the Presidency in 1980—in which he stressed American strength, individual freedom versus big government, and the virtues of supply side economics. Mr Edward Rollins, the new Reagan-Bush campaign director, insists that Mr Reagan has held on to his 1980 electoral base, in the process turning many anti-Carter votes into pro-Reagan ones.

If Reagan pulls out it will be a mammoth upset

It is true that, with economic recovery, his public approval rating has been steadily climbing, to as high as 59 per cent in one recent poll. "Performance rather than promises," is going to be one of his themes, a point he tried to underline at the weekend with a claim that the "quality of American life" and the country's confidence in its institutions were both at last on the way up.

But Mr Reagan has problems, and his advisors privately admit it. He is still vulnerable on the "fairness" issue—the contention that his policies favour the rich and hurt the poor—on which the Democrats campaigned fairly successfully in last November's mid-term elections. He has what is known as "a very hard negative" among blacks, women, hispanics, many Jews and unionised workers.

A combination of rapid increases in black voter registration and the female turnout could put him in jeopardy in the South, while continuing unemployment and regional economic stagnation could count heavily against him in the populous industrial North and North-East.

Mr Reagan is counting on the economic upturn to put much of this right. Unemployment (at 9.3 per cent) is slowly coming down, economic growth is humming away at what should be a rate of at least 6 per cent this year, and inflation is down to under 3 per cent. Gleefully, he has taken to noting — not quite correctly — that his opponents "don't call it Reaganomics anymore."

The key question is whether he can keep it up. He has already made it clear that he wants to go to the electorate as the man who saved the nation from "the worst economic mess in post-war history." If the recovery falters and interest rates, unemployment and inflation turn up again, he will be in trouble.

Some Democrats, however, believe that even on the economy he could be vulnerable. Nine per cent unemployment is still extremely high, and in a recent poll, nearly 60 per cent of the respondents said that they had detected no recovery or thought it would be temporary if there was one. He is bound to come under attack for his record $200bn budget deficits, about which even his own advisors are sharply divided.

Yet while the conventional wisdom remains that the economy is going to be the major election issue. Mr Reagan's foreign and arms control policies are now also making an increasingly strong bid for attention. So far he has been reasonably lucky—he has not had a major foreign policy success, but there has not been a serious world crisis.

All the same, there is a general feeling of nervousness both in Congress and among the public at large, partly as a result of Mr Reagan's high profile military policies and partly because of much greater awareness of the risks and realities of nuclear war. However strongly he denies that it will happen, the polls consistently show widespread fears that the U.S. will get dragged into a war in Central America or the Middle East —or even the Gulf—and possibly some kind of confrontation with the Soviet Union with which relations are at their lowest ebb for years.

Any of these problems could explode into major election issues, and Mr Reagan's aim in the coming year will be at least to contain them, if he can't resolve them. If he cannot have a "peace summit" with Mr Yuri Andropov, the Soviet leader, he will want at least to show that he tried as hard as he could to negotiate arms control agreements.

If there is no breakthrough in Central America or the Middle East, he will at the very least try to keep the level of conflict below that at which he might feel the need for highly unpopular direct U.S. military intervention. But what he really wants is a positive success. "We need," says one of his strategists, "a major victory somewhere to show we can manage foreign policy." Mr Reagan's April visit to China could perhaps supply at least part of the answer.

His third year — usually regarded as crucial for a President's re-election prospects—has seen Mr Reagan trying to win broader bipartisan support for both his foreign and his domestic policies. He may have bitterly angered the Soviet Union with his rhetoric, but he has also risked the wrath of his right wing by declining to take tough reprisals for the shooting down of the Korean airliner and replacing the hard line Mr William Clark with the more pragmatic, though still conservative, Mr Robert McFarlane as National Security Advisor.

He has paid unprecedented attention to the views of Congress in formulating his latest strategic arms reduction proposals—admittedly partly in an attempt to defuse opposition to his arms buildup. He has tried to build a bipartisan approach to Central America through his special Kissinger commission and he has compromised with Congress over his war-making authority in the Middle East.

Plenty of time for Mr Mondale to stumble

On the home front, he has resorted to similar bipartisan compromises on funds for job creation and social security reform. Mr Clark is also now promising a bipartisan approach to replace the more aggressive policies of Mr James Watt, his predecessor at the Department of the Interior.

None of this is going to silence the opposition. In a report on his first 1,000 days this week, Americans for Democratic Action, the group with long liberal credentials, says that it continues to regard Mr Reagan's foreign policy as alarming, his arms control strategy as dangerously simplistic and his domestic policies as ill conceived and discriminatory. His military policies, the report says, "have put the entire nation at risk by failing to take necessary and reasonable steps to prevent nuclear war."

Such charges foreshadow those that many Democrats will make in the months ahead. But the Democrats have not yet made up their minds whether they will mount their White House challenge by rallying behind a rightish-tinged centrist —whose main claim to fame is his role as national hero 20 years ago (Senator John Glenn of Ohio)—or a more traditional, professional liberal politician (former vice-president Walter Mondale).

For the moment, the Democratic contest is settling down into a race between these two men. The new so-called "front loading" of the Democratic selection process, under which a large number of primaries and caucuses will be grouped closely together in early spring, will discourage late runs by outsiders and is generally thought to favour Mr Mondale with his superior party organisation. But there is still plenty of time for Mr Mondale to stumble, Mr Glenn to capitalise on his perceived image as a "winner" and other runners to complicate the picture.

Mr Jesse Jackson, the black activist, has still to decide whether to enter the lists, potentially drawing black and some white liberal support away from Mr Mondale. Some White House strategists most fear Mr Glenn as a candidate rather in Mr Reagan's image, a celebrity with a pro-military reputation and some kind of professed vision of the future. But Mr Glenn, a dull and wooden public performer, has yet to define this very clearly.

Six months ago, Mr Reagan was widely thought in Washington to be virtually assured of victory if he ran again. Now the majority view is that while the continuing political and economic uncertainties are beginning to make the contest look much closer, he must still remain the favourite.

Were he finally to step down, the Republicans would probably rally to Mr Bush, but many would do so with grave misgivings and there would be a serious risk of a major clash between party moderates and right wingers, who regard Mr Bush as a "wet" liberal. Senators Howard Baker of Tennessee and Robert Dole of Kansas would be waiting in the wings, but they would have precious little time to mount effective campaigns.

While Mr Bush is a hardworking campaigner, he lacks the by now familiar, easy-going charm of Mr Reagan—still his main appeal to many voters. For the Republicans, Mr Reagan remains by far the best candidate, and the party is united behind him. That, in the end, is the most compelling reason for him to run again.

Men & Matters

No bank holiday

A sign of hard times in Mexico. The government has peremptorily cancelled its annual junket for bankers just two weeks before it was due to take place.

It was decided that the Mexican banking convention—always well patronized by bankers from other countries—would jar with the national austerity programme. One observer on the spot explains: the sight of several hundred of the world's leading bankers feasting themselves while the great mass of Mexicans are asked to tighten their belts could have offended local feelings and given ammunition to those who feel that the banks have not shared in Mexico's debt crisis.

Foreign bankers, who have already taken a knocking over Mexico's mountainous external debt, are up in arms about the decision.

Their gripe is that they will, each and every one, stand to lose their deposits for the convention and flight and hotel bookings in view of the late news of the cancellation.

One banker suggests that if the banks are not properly reimbursed then they should decrease next year's $4bn commercial loan to Mexico by the amount they are owed.

Thames' tide

Two maxims for commercial life: never throw away a business card and never turn away a potential investor too brusquely. You never know when they will come in useful.

Joseph Benjamin will have learned that second lesson because, after an interlude of two and a half years, he is teaming up again with Tom Whyte, formerly of the failed secondary bank, Triumph Investment Trust.

Their first meeting, apparently, took place at lunch in the Howard Hotel, London, in April, 1981. Five months earlier, Benjamin had brought Thames Investment and Securities to the USM, via Denis Poll's Tring Hall issuing house.

Lo and behold, when Thames scrutinised its share register it found Whyte sitting on a hitherto undisclosed 6 per cent holding and, with various other friendly investors, speaking for some 19 per cent in total. The news that Whyte was back in the stock market and heavily involved with one of the very first USM issues, to boot, caused a stir in the City. As one of those closely involved with Thames those days remembers, "it created a certain amount of alarm, to put it mildly."

Lunch gave Benjamin indigestion, it seems, but it did produce assurances from Whyte that he would withdraw. The shareholding was placed at 225p in the market and Benjamin is understood to have bought a large slice of the stake for himself.

Exit Whyte, but only temporarily. Thames' big office project on West Flagler Street, downtown Miami, has gone sour. It cannot afford to take on the total $24.75m development itself and cannot find anyone to help.

Worse, a thorough examination of Thames' UK portfolio has produced a hefty write-down of the property assets, and its rental income is a long way short of covering interest repayments. Thames lost £4.9m after all charges this year and its assets are worth only 67p against a suspended share price of 80p.

Re-enter Whyte, picking up the pieces in Florida and bearing promises that Benjamin, now off the board of the company he created, can take a 20 per cent cut of the Miami rental income, provided he manages the project, and a handsome $160,000 annual gross management fee to help him do it.

There are no pals like old pals, it seems, evan if past acquaintance was, perforce, a bit cool.

"They say you've got to pay in U.S. dollars from now on."

Private eye

Nicholas Ridley, the new transport secretary, is an unlikely advocate of "workers' control" in companies. But, nevertheless, the phrase slipped out yesterday when he was talking about his new job.

Ridley quickly recovered his balance, however, by explaining that his support is for employee buy-outs like that at the National Freight Corporation (NFC), and which has been pleasing employees with rising share values ever since.

Ridley is an arch exponent of privatisation (or de-nationalisation as it was known when he prepared a policy for ex-prime minister Edward Heath in 1968). De-nationalisation was ignored then, he says, but he has had more success with the plans he prepared for Mrs Thatcher.

He will have plenty of opportunity to put his ideas into practice personally at the Department of Transport. Privatisation candidates on his list include British Airways, the British Airports Authority, the National Bus Company, and Sealink, which is expected to be hived off by British Rail next year.

Ridley is pleased that, in his former Treasury job, he was able to facilitate the employee buy-out at NFC by introducing tax exemption on the loan interest payments which made it easier for employees to buy the shares in their company.

He contrasts the profits which NFC is now making with its dour earlier performance, when the pension fund suffered.

He thinks the present performance of the company justifies the Government's decision to put the NFC pension fund in order so as to make the buy-out possible.

All of which raises a question. Will British Airways and National Bus, both with debt problems to be resolved before they can be privatised, be the next to enjoy some government help to iron out their crumpled balance sheets.

Sporran thought

Did you hear about the Scotsman who felt embarrassed in his national dress? He had a kilt complex.

Observer

Youth Training in Britain

The missing link, perhaps

By Alan Pike, Industrial Correspondent

"OBVIOUSLY A one-year programme which includes a minimum of 13-weeks off-the-job training or further education cannot be described as a complete training scheme," says Mr David Young chairman of Britain's Manpower Services Commission. "But the Youth Training Scheme is a national preparation year of a type which we have never had before."

"It is a link between school and the real world. The importance of YTS in developing young people's attitudes towards work, as well as providing them with particular skills, should not be underrated. It is much more than a mere response to youth unemployment. YTS will be going on when the present youth unemployment problem has been forgotten."

Strong words, but this autumn sees more than just the continuation of an old, inconclusive debate about how to strengthen links between business and education. The two initiatives now getting under way—YTS and The New Technical and Vocational Education Initiative—really could change the way in which young Britons are prepared for adult and working life. Both originate not from Sir Keith Joseph's Department of Education, but from the MSC. This is itself significant—the MSC is credited even by its critics with an ability to cut through debates and get ideas up and running.

The schemes' most ardent supporters see them as a last chance for Britain to emulate the much-praised vocational preparation schemes of overseas competitors. They talk of a training revolution and a permanent break with the past. Critics respond with equally emotional references to cheap labour, massaging the unemployment figures, driving down wage rates and attacking trade union organisation and comprehensive schooling.

It is certainly true that most of the young people joining YTS this autumn do so not as willing pioneers of a much-needed reform in industrial training, but because they cannot find jobs. There are already more than 200,000 trainees on the scheme, some 20 per cent below expectation for this time of year though by Christmas many young people who have failed to find jobs will probably enrol in YTS as a last resort.

There are already indications that some major employers are preparing to use YTS as their standard source of youth recruitment, and will try to offer jobs at the end of the training year to as many young people as possible.

And the introduction of YTS has helped shift apprentice training from time-service to a basis of achievement standards in many industries — although doubters fear that some companies may be tempted to drop all longer-term apprentice training in favour of an annual intake of subsidised YTS trainees.

In the year leading up to this autumn's launch the MSC ran a series of pilot projects, and these have left no shortage of accounts of employers and trainers who are impressed by the effect which an appropriate blend of practical and theoretical training can have on young people.

At one pilot project at the National Foundry and Engineering Training Centre at Basildon, Essex, the computer room proved more popular with trainees than the traditional engineering workshops. Young people shunned computer games, and staff were impressed by the speed at which they grasped serious computer skills in a workplace environment.

Training officials are also impressed by how favourably many young people compare YTS to school. Mrs Josiane Wileman, managing director of *Trans Promotions* — a training organisation which is responsible for running a national YTS scheme in warehouse practice and other local schemes in the South East — says: "I am forcefully struck by the number of young people who have very negative recollections of school but are responding positively and successfully on YTS."

Such reactions, which are common among training officials, are supported by a study of unemployed young people in Birmingham published last month by the Netherlands-based European Centre for Work and Society.

The investigation concluded: "Whether or not they have enjoyed school—and several looked back on it with nostalgia—many respondents had left with nothing of substance to offer a potential employer nor any confidence in their ability . . . they had found their careers tuition too little, too late, over-generalised or out-of-date."

YTS' supporters say that research like this seals the argument in favour of the scheme whatever its present imperfections. And it helps to explain why the TUC and a lot of Labour-controlled local authorities are supporting the MSC's politically-sensitive excursion into the schools with its new technical and vocational education initiative.

But if the MSC schemes are intended to improve links between school and work, they pose as many questions for the schools as they do for industry. Many education authorities have made strides in recent years to improve the awareness which both pupils and teachers have of industry—a task made no easier at a time when employment can no longer be regarded as the automatic end-product of schooling for many young people.

But the MSC schemes raise a deeper challenge than this. Mr Geoffrey Holland, director of the MSC, remarked recently that a training strategy to make Britain more competitive in the 1980s needs in particular to provide managerial and technical competences and a flexibility and mobility in the workforce. "In meeting these requirements," he suggested, "traditional distinctions between short, specific, practical 'training' and broader-based, longer and more conceptual 'education' become difficult to sustain."

If the MSC's attempts to reform youth training this autumn succeed, they will revive the long-running issue of the distinction between education and training in Britain, and their relative importance.

"Much will depend on how employers operate YTS," says Ken Graham, assistant general secretary of the TUC and an MSC commissioner. "If it is used selfishly and young people are exploited they themselves will view it as a third-rate opportunity. Unions and the TUC would then be under great pressure to withdraw support from the scheme.

"But if it is approached creatively and the opportunities are genuinely worthwhile—if employers put the interests of the young people first—it can work for them, for employers in the longer term and for the country."

● THE YOUTH TRAINING SCHEME

Young people are offered a year of training and work experience, at a cost of £1bn a year. All unemployed 16 year olds are guaranteed places by Christmas but—importantly—YTS is also available to school leavers who go into employment. Trainees receive MSC grants of £25 per week. Designed as a permanent system of vocational preparation.

● THE NEW TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

Launched as a pilot project only last month, but most local education authorities in England and Wales could be running NTVEI courses next year. Schemes will provide four years of integrated technical and general education for 14-18 year olds. NTVEI could have huge potential for changing attitudes towards *technical training in schools.*

Devid Young, MSC chairman

U.S. Securities Markets

Why the SEC has to act on foreign secrecy

By John Fedders

FOREIGN SECRECY and blocking laws impede the Securities and Exchange Commission's efforts to police the internationalised U.S. securities markets. They must not foreclose us from preserving the integrity of our markets.

At the centre of world economic order is the dollar and our capital markets. Purchases in the U.S. by foreign persons or institutions involving stocks and bonds have more than doubled in four years to $53bn in 1982. Our markets also are an important source of capital for foreigners. About 250 foreign issuers and 25 foreign governments have securities registered with the SEC.

Other nations' stock markets also are increasingly affected by transactions initiated outside their borders. The opportunities for fraud are expanding.

While all markets are becoming internationalised, each is policed with local laws. They differ substantively and procedurally. One nation's laws often frustrate another's efforts to enforce its laws.

Secrecy and blocking laws create these conflicts. Secrecy laws forbid the disclosure of business records or the identity of bank customers. Blocking laws prohibit the disclosure, inspection or removal of documents located in the enacting state in compliance with orders of foreign authorities.

About 25 countries have such laws. They may not be an absolute prohibition to disclosure of information or removal of records. But criminal penalties apply to their violation.

Because of the internationalisation of our markets, the SEC often encounters these laws. They shield from our scrutiny information underlying certain corporate disclosure and market activity.

Two examples illustrate how the SEC's efforts are impeded by secrecy and blocking laws.

Suppose an officer of a company planning a tender offer purchases shares of the target company—that's insider trading. He places the order in the U.S. market through a bank in a *secrecy jurisdiction* such as Luxembourg or the Cayman Islands. If the transaction was conducted through a U.S. broker, the firm would be obliged to assist the SEC in identifying the individual involved. However, because the transaction was effected in the U.S. through a bank in a secrecy jurisdiction, we would be denied the information necessary to determine whether a violation occurred.

Also, suppose the SEC is investigating fraudulent disclosures by a U.S.-based multinational corporation with a significant subsidiary in a country with *blocking laws* such as France or the UK. We can subpoena the U.S. parent requesting production of the subsidiary's books. The U.S. parent has a duty to comply with the subpoena. If the records are in the U.S., our laws provide that the SEC can quickly obtain them. However, if the records are maintained in a country with blocking laws, regardless of the company's obligation under U.S. law, we may be prevented from obtaining the same documents we can routinely subpoena from the U.S. offices of the corporation. In the example, the SEC could indicate diplomatic or litigation steps attempting to identify the customer or obtain records.

In the secrecy law example, the SEC might file a complaint naming the foreign institution which conducted the trading and the "unknown purchaser." If assets remain in the U.S., we could seek a court order freezing those assets. If the foreign institution fails to identify its customer, the SEC could file a motion in court to compel the institution to disclose the name of its customer or to produce the subpoenaed records.

When foreign laws impede the SEC's enforcement efforts, one response is consultation with local government officials rather than confrontation by litigation. But the consultations must be swift and productive. When we cannot reach a reasonable accommodation between foreign laws and the requirements of U.S. law enforcement interests, we have no choice but to pursue motions compelling production of the needed information.

The SEC's aggressive enforcement action is not an extraterritorial application of U.S. law or an infringement of the sovereignty of other nations.

Persons effecting transactions through foreign financial institutions in our markets engage in conduct within the U.S. They make a direct and intentional decision to engage in conduct within the U.S. to take advantage of our markets.

We threaten no nation's sovereignty. Where a violation of our securities laws has occurred, the U.S. sovereign interest in protecting its markets and prosecuting the violator is at issue. Before an SEC investigation confronts secrecy or blocking laws U.S. national interests have already been adversely affected.

The SEC must be aggressive in this area. Otherwise we accept a *de facto* double standard of law enforcement. One standard for those trading within the U.S., and a lesser standard for those trading from beyond our borders. A double standard of enforcement would make a mockery of this nation's efforts to enforce its laws and protect its markets.

These principles do not reflect U.S. interests alone. All nations with securities markets are vulnerable to persons outside their borders who abuse those markets while hiding their activities behind secrecy or blocking laws. The danger is clear and present.

To prevent the shield of foreign laws from endangering the U.S. marketplace, new solutions are needed. They could be unilateral, bilateral or multinational.

Unilateral approaches have been viewed as hostile—as the U.S. imposing its will on the world without consultation. Unilateral approaches may drive securities business off-shore and easily be evaded.

Recently, consideration has been given to a "waiver by conduct" whereby foreigners would waive the protections of secrecy and blocking laws as a precondition for engaging in securities transactions in the U.S.

The U.S. could require that foreign investors make an explicit choice—either to forego the investment opportunities available in the U.S. or to give up the protection of foreign laws that might be used to conceal the identity of the investor and the circumstances of the transaction.

Bilateral approaches, while effective, are slow to negotiate. Mutual assistance treaties between the U.S. and Switzerland have proved valuable. In 1982, the Swiss agreed to assist the SEC in its efforts to combat insider trading through Swiss banks. Because of the effort required, it would be impossible to negotiate treaties with each nation having secrecy or blocking laws.

The only comprehensive answer will be multinational.

Solutions assuring fairness for all who seek access to the world's capital markets should be a priority of all nations. A multinational conference of law enforcement officials from the nations with securities markets and those with blocking and secrecy laws is needed to facilitate the search for neutral principles and viable alternatives for policing each nation's markets as they continue to internationalise.

Mr Fedders is Director of the Division of Enforcement of the Securities and Exchange Commission. The views expressed here are his own.

Letters to the Editor

Proportional representation systems

From Mr B. Murphy

Sir, — Peter Pulzer's article on proportional representation (October 12) suggests that an illogical system be replaced by alternatives that are themselves badly flawed.

There is surely no need to depart from the principle of one man, one vote by complicated schemes that do not guarantee true proportional representation.

Why not simply do away with the present constituency boundaries, make constituences much bigger, and let them be represented by more than one MP? Each party would present a list of candidates to contest the constituency, and the seats would be allocated by straight proportional representation. This way individual MPs remain attached to particular constituencies.

At the end of the day, the total vote for the country would be tallied up, and supplementary seats would be allocated to reflect overall proportional representation. A threshold of 5-10 per cent would be imposed to prevent the proliferation of small parties.

A system something like this works perfectly well in Scandinavia, which has a reputation for sane government. Why has not somebody suggested it as a model for Britain?

Bernard Murphy.
Hollaenderdybet 32, 3.tv,
2300 Copenhagen S, Denmark.

From Enid Lakeman

Sir,—Peter Pulzer (October 12) says that the single transferable vote is "the least proportional of the various PR systems." On the contrary, it is the most proportional, since it gives proportional representation not only to the organised political parties but equally to any other groups into which the voters may choose to divide themselves: for example—in the first STV election to the Irish Dáil—to those for and those against acceptance of the Treaty offered by Britain.

The accuracy of the relation between a party's popular support and the seats it wins depends not on whether election is by STV or party list, but on the number of members elected from each constituency.

Enid Lakeman.
37 Culverden Avenue,
Tunbridge Wells, Kent.

Back to Merrie England?

From Mr J. Hatherley.

Sir,—Clive Wolman's article (October 3) on tax loopholes, income-tax avoidance and the difficulty of defining "income" interest me in connection with my own research into taxation.

I am beginning to wonder whether we should return to ancient times in Britain. I gather that until the Napoleonic Wars, and thereafter until the Crimean War most of the Government's expenditure was financed through a tax on land. To tax a man's income (however defined) was considered iniquitous.

Paradoxically, with the decline of the landed aristocracy's political power and the coincidental increase in land values as a result of the industrial revolution, land taxation has occupied a back place in government revenue.

To come to the present day: I was astounded this year to find that my house purchased in 1970 for £8,500, is now valued for fire insurance purposes at £61,000 (no contents included). This extra-ordinary unearned rise, given uncertainty of definition, could be described as income, only partly taxed by our defective rating system. In the U.S., I understand, land values over the past ten years have increased several times more than wages or the rate of inflation.

Another interesting point about land is that it cannot be hidden and that current value at any time is easily ascertainable (as land is marketable) so tax cannot be avoided. Also, if an earlier edition of Lipsey's "Positive Economics" is correct, a land tax cannot be passed on. Milton Friedman says that if we have taxation, the least harmful form would be a land tax. (In fact, we have a blueprint in Sec. III of the 1931 Finance Act.)

Is this the way back to Merrie England?

John Hatherley.
16 Brighton Road,
Coulsdon, Surrey.

Introduction to Lloyd's

From Mr G. Dawes

Sir, — A number of accountants, "stop-loss" reinsurance brokers and investment management firms must be most grateful for the free publicity that Mr Moore is providing for them. I feel that it is time Mr Moore took more care over the statements he makes as his articles are tending to obscure the fact that membership of Lloyd's remains a high risk venture.

In practical terms membership of Lloyd's will always have its hazardous possibilities for nothing has changed the underlying commitment of unlimited liability.

Many new members may well have chosen their agent as a consequence of meeting someone at a cocktail party or a golf club, which may or may not prove satisfactory in the long term; and membership of Lloyd's should only be considered as a long term venture. Equally there is no doubt that the professions, such as solicitors or accountants, also bankers and stockbrokers can be of assistance in advising their clients on membership of Lloyd's.

Anyone considering membership should seek advice from more than one quarter and inquire and inquire, for it is all too easy to find oneself convinced of the expertise and knowledge of anyone in a field that is outside ones own experience.

G. W. Dawes.
1 Leadenhall Street, EC3

The housing market

From the Director, Shelter

Sir,—If the rest of the Adam Smith Institute's Omega report (October 11) is as pathetically ignorant as its suggestions for the future of the housing market, the *intellectual resurgence* of the political Right has clearly a long way to go.

The prescriptions of the institute are basically the removal of council house subsidies, the removal of rent control in the private rented sector and the addition of further incentives to owner occupation. It appears not to have noticed that except in the inner city, almost all council house subsidies have *already disappeared* and that in the private rented sector the government has already, through the "assured tenancy scheme," allowed registered landlords to provide lettings outside the Rent Acts.

Interestingly, the first attempt to provide such tenancies showed that an economic rent would, within four years, exceed the mortgage repayments of buyers of identical *homes. That simply confirmed* what most numerate people already knew—we so heavily subsidise owner occupation in this country that we completely squeeze out any rented market which is not itself equally subsidised.

The Omega report on housing is a piece of special pleading masquerading as free market economics and has no relevance to the nation's economic ills or to its housing problems.

Neil McIntosh.
157 Waterloo Road, SE1

Local government spending

From Mr N. Record.

Sir,—There is a widespread impression that local authorities' spending has been mushrooming out of control in recent years, and that the swingeing increases in rates that have hit industry so hard have been due to this uncontrolled rise in expenditure. On checking the facts in the 1983 edition of the National Income and Expenditure "Blue Book," I find that the true situation is very different.

Between 1979 and 1982 local authorities' total expenditure in constant value pounds fell by 6 per cent. During the same period local authorities' revenue, also measured in constant value pounds, increased by 7 per cent. The overall rise in revenue comprised a 30 per cent increase in rates and a 3 per cent fall in other receipts (mainly grants from central government). With expenditure falling and revenue rising local authorities moved from a financial deficit, in current prices, of £2.15bn in 1979 to a surplus of £1.14bn in 1982, i.e. an improvement of £3.29bn. This change in the local authorities' financial deficit/surplus accounts for the greater part of the overall £5.95bn reduction in the PSBR over the same years.

N. J. Record.
The Old Vicarage,
Wedmore, Somerset.

Bring back matron

From Dr R. Cutler.

Sir,—In my day ward sisters had complete charge of their domain and were treated with considerable respect, even by consultants, housemen or more correctly housepersons. If *general cleaning* or any other domestic matter was at fault her comments would be made known, and in the unlikely event of continued dereliction matron or assistant matron would be called in before who all concerned would quail. Nowadays in similar circumstances the sister in charge of a ward would have to refer the matter to a nursing officer, who would normally have been an *upgraded ward sister with* her own distinct uniform, the chief insignia being a clipboard. Representation would then have to be made to whatever union officer was in charge of the cleaners before anything would be done. How this state of affairs can ever have come about is almost inconceivable but if cuts there must be in hospital funding one staffing aspect at least could bear investigation.

(Dr) Robert Cutler.
19 Woodlands Road,
Surbiton, Surrey.

FINANCIAL TIMES

Wednesday October 19 1983

THREAT TO END REUNIFICATION OF FAMILIES FROM EAST AND WEST

East German warning on U.S. missiles

BY LESLIE COLITT IN BERLIN

EAST GERMANY has unveiled its secret weapon in the war of nerves against the planned deployment of new U.S. medium-range missiles in West Germany.

Herr Wolfgang Vogel, the East Berlin lawyer in charge of uniting families divided by the Berlin Wall and of obtaining the release of East German political prisoners freed by West Germany, has given a warning that those actions might come to an end if the missiles are stationed.

Herr Vogel, appearing on West German television for the first time yesterday, told a viewing audience in both Germanys that he was preparing for the "worst" unless East and West Germany joined in a "coalition of reason" against the missiles.

The 58-year-old lawyer said that if that happened, more East Germans would be able to leave the country, including those caught trying to escape. East Germany, he noted, would not be influenced by the hard currency it earns from the release of its prisoners.

Herr Vogel is in a position to know. As a confidant of Herr Erich Honecker, the East German leader, he has been in charge of "humanitarian" contacts with West Germany since 1962. In the ensuing years, some 25,000 political prisoners – mostly thwarted escapees but also convicted agents – have been released to West Germany.

This year, the Bonn Government is paying an average of DM 40,000 ($15,366) for each of the 2,000 prisoners who are expected to be freed. In addition, Herr Vogel has been instrumental in reuniting tens of thousands of East Germans with their families in West Germany and of ensuring that a steady flow of dissidents can leave the East.

Herr Vogel was the go-between in the 1962 exchange of the convicted Soviet spy, Col Rudolf Abel, and the U-2 pilot, Gary Powers. He also played a key role in the release to East Germany of Herr Günter Guillaume, the spy in former Chancellor Willy Brandt's office. Equally important, Herr Vogel over the years has been an invaluable conduit between the leaders of East and West Germany.

Earlier this month, Herr Vogel – who says he is a "humanistic Marxist" – was given one of East Germany's highest awards, the Medal for International Understanding, by President Honecker. West Germany's former government spokesman and ex-representative in East Berlin, Herr Klaus Bölling, said the Bonn Government could do worse than publicly recognise Herr Vogel's services.

Craxi may reaffirm missile commitment, Page 3

India to buy Soviet tanks and latest MiG fighter

By K. K. Sharma in New Delhi

HIGH LEVEL talks have been held in Moscow and New Delhi on a major new arms deal under which the Soviet Union has agreed to supply India with the latest version of MiG aircraft, tanks, missiles and other weapons.

This includes the MiG-31, the latest Soviet fighter planned for manufacture in the next few years. This is still on the drawing board, and the Soviets have indicated they will supply it to India once it has been successfully flight-tested.

In the meantime, the MiG-29, otherwise known as the Fulcrum, is to be supplied to India with rights to manufacture the highly sophisticated fighter under licence. This is likely to be done in existing Hindustan aeronautics plants originally set up to manufacture the obsolete MiG-21 which is being phased out of service.

For the Indian Army, the Russians have agreed to supply the T-80 tank, the latest to have undergone successful field trials. Many of India's existing armour regiments are already using the Soviet T-72 tank, and these are expected to be gradually replaced by the T-80.

The deal, which will be worth several billion dollars spread over a number of years, was first discussed by the Indian Defence Minister, Mr R. Venkataraman, when he visited Moscow last June.

Since then, senior defence officials have visited Moscow for further talks, and discussions are expected to be continued at diplomatic level. The matter could be raised when Mr V. I. Arkhipov, Deputy Prime Minister, visits New Delhi later this year.

Other equipment that the Russians have indicated their willingness to supply includes warships, missile boats, submarines, transport aircraft and missiles. If the deal goes through, the Indian armed forces will again become heavily dependent on supplies from the Soviet Union.

The Indian Government has been diversifying its sources of supply of defence equipment mainly to avoid excessive dependence on Moscow. It was because of this deliberate decision that orders were placed with British Aerospace for Jaguar aircraft and for the French Mirage 2000. Submarines are to be bought from Germany.

Caterpillar closures cost $94m in quarter

By Terry Byland in New York

CATERPILLAR Tractor of the U.S., the world's leading manufacturer of earth-moving and construction equipment, ran up net losses of $70m in the third quarter of this year, bringing its total nine-month deficit to $334m.

The company indicated yesterday that the results nevertheless reflected an improvement on its early-year performance, when it was hit particularly hard by a six-month strike. Net losses in the first three months of the year amounted to $172m.

But Caterpillar continues to believe it will incur a loss for the last half of the year.

Although it is still possible for the company to return to profitability by year end, it said such a move was uncertain.

The latest quarterly figures also embrace a $94m charge for write-offs and provisions against the estimated costs of its plant closure programme. Without that expenditure, the company says its loss after tax would have amounted to $21m.

The impact of the strike and the sharp downturn in Caterpillar's main markets was reflected in a 33 per cent fall in sales from $5.5bn to $3.7bn over the nine-month period.

In a bid to cut costs and cope with this decline in its market, the company has recently closed its fork-lift truck plant at Mentor, Ohio, while cutting its worldwide workforce by 28,000 men to 58,000 over an 18-month period.

Caterpillar said it continued to be encouraged by the strength of the recovery in the U.S. and Canada, although markets remained weak in developing countries.

Demand for machines used in housing-related sectors and for commercial facilities increased, the company said, but sales to the coal-mining and petroleum industries remained depressed.

It said demand for engines used in heavy trucks improved.

Caterpillar said yesterday that despite this retrenchment it expected to make a loss in the second half of this year, but that the outlook for 1984 was favourable. It forecast a return to profits next year.

Dutch bank collapse prompts tighter rules

BY WALTER ELLIS IN AMSTERDAM

MR WIM DUISENBERG, president of De Nederlandsche Bank, the Dutch central bank, yesterday replied publicly to mounting criticism of the bank's involvement in the recent collapse of a regional mortgage bank.

Stung by charges of negligence by a commission of inquiry set up by angry creditors and by a series of questions in Parliament and from the press, Mr Duisenberg denied that the central bank was in any way responsible for the bankruptcy in August of the Tilburgsche Hypotheekbank, of which it had been in direct supervisory control since 1979.

At the same time, he announced at a specially convened news conference that the central bank would be changing the way in which it supervised the activities of the commercial banking sector.

In future, there would be "an intensification of inquiries by the (bank's) accountancy service and a more frequent and thoroughgoing co-operation with external accountants." Tilburgsche annual reports have been shown to have been false, but were accepted without question by the bank.

In 1978, it was discovered that the Tilburgsche Bank was in deep trouble. It was losing money and was seeking to make up revenue by co-operation with property owners in the artificial raising of prices.

On January 1 1979, the central bank took the bank under care and supervision, and new accountants were appointed.

This restored investor confidence considerably, but various malpractices allegedly continued, so that, on November 10 1981, the fiscal police raided the bank. Evidence was produced that liabilities exceeded assets. Debts, which had been assessed in early 1981 at Fl 48m ($16.4m), turned out to be Fl 104m.

In October 1981, the bank issued mortgage bonds at 13 per cent, and indeed it went on issuing bonds almost until the end, when it was finally declared bankrupt on August 22 this year.

Creditors have expressed outrage that the central bank should have presided over such a chain of events.

An unofficial commission of inquiry, under Professor C.J. Rijnvos, a respected academic and former member of the Dutch upper house, reported in September that the Tilburgsche board of management and the central bank could be considered guilty of "criminal negligence" for their part in the affair.

Questioned on the subject recently in Washington, Mr Duisenberg – who was involved in the early supervision of the Tilburgsche Bank – said that holders of the 13 per cent bonds, now defunct, had to accept the risk.

Japan's ruling party in bid to head off Tanaka expulsion call

BY CHARLES SMITH IN TOKYO

JAPAN'S ruling Liberal Democratic Party (LDP) is hoping to use a proposal to cut income taxes as a lever for inducing the opposition parties to abandon their demand for the expulsion from the Diet (parliament) of former Prime Minister Kakuei Tanaka.

The LDP strategy will be put to the test today when tax proposals are unveiled at a meeting which the opposition has been invited to attend.

If the opposition parties approve the cuts, the ruling party will propose holding a meeting of the Diet to vote on a new tax bill, probably before the end of this month.

Acceptance of such a plan by the opposition would mean that the Government would have successfully weathered the political storm sparked off by last week's guilty verdict on Mr Tanaka, the principal defendent in the Lockheed bribery affair.

The crisis began when the opposition parties boycotted the Diet because the Government would not accept the tabling of a bill calling for Mr Tanaka's resignation.

Officials who have been working on the tax proposals said yesterday that they thought it was probable that the opposition parties would agree to attend today's meeting. There is, however, total uncertainty as to its outcome.

One possibility is that the tax proposal itself could be rejected by the opposition parties as inadequate. If the opposition agrees to go along with tax measures themselves, an extremely complicated situation will ensue in which the ruling party will try to make their adoption conditional on the "normalisation" of the Diet.

A pledge to cut income taxes was one of the first undertakings made by Prime Minister Yasuhiro Nakasone after he became leader of the ruling party, but the Government has taken more than nine months to make up its mind to implement the promise.

The Tax System Council, an advisory body to the Ministry of Finance, finally agreed at a meeting on Monday that the cuts should be made.

Details of the council's decision were not published but it is believed that the finance ministry has given its blessing to a scheme which would cost the Government around Y1,000bn ($4.3bn) during this fiscal year.

A successful conclusion to today's meeting would open the way for the Government to unveil its long-awaited economic reflation and import promotion package (of which the tax proposals themselves form part).

If the meeting fails to produce a breakthrough and Japan's political situation remains deadlocked the Government will continue to postpone publication of the reflation package.

BICC plans to raise $70m in U.S.

By Mary Ann Sieghart in London

BICC, Britain's biggest cable maker, is to raise up to $70m in the U.S. commercial paper market where U.S. corporations lend their surplus cash. Only top-rated companies can tap this market, and BICC has been awarded the highest commercial paper ratings from the two rating agencies, Standard & Poor's and Moody's.

This move is part of a recent trend in which UK companies have looked to the U.S. for sources of finance. Only two days ago, Fisons, the health care and agriculture group, announced that it was tapping the U.S. domestic bond market for $15m. Two weeks ago, Britoil, the recently privatised oil company, said it would raise up to $150m in the commercial paper market. Other UK companies which have used this market include ICI, BP, Unilever and Marks & Spencer.

The company is using this route as an alternative, rather than additional, source of funds. Mr John Martyn, BICC's finance director, claims that it will save about ½ a percentage point compared with its present borrowings from UK banks.

The money raised will mainly be brought back to the UK, but any exchange rate risk will be neutralised through hedging. It is not intended for funding the company's U.S. operation.

THE LEX COLUMN

Taking the bulls by the horns

The institutions have been so busy feasting at the UK Government's table recently that lesser mortals have not even bothered to send out invitations. Yet now that the BP sale is out of the way, and gilt-edged funding is on the decline, competition for new cash is heating up again.

The equity market is humming with rumours of capital-raising exercises from industrial blue chips and the Bank of England's new issue queue, while not stretching all the way down Threadneedle Street, has few vacancies between now and the end of the year.

Even if some of the present candidates withdraw at the last minute, 1983 will be a bumper year for new issues. According to Samuel Montagu, £2.1bn of new money was raised through the issue of ordinary shares in the first nine months of this year, roughly double the figure for the same period of 1982. Even adjusting for the unusual number of company flotations, activity has been picking up sharply.

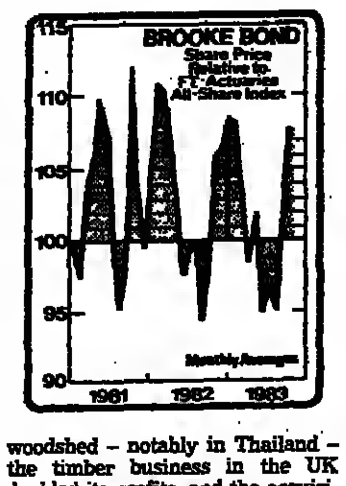
On the face of it, the trend is inconsistent with the very buoyant state of corporate balance sheets. Hoare Govett, for example, estimates that the industrial group of the FT-A All-Share index will be reporting an average net debt-to-equity ratio of 23 per cent at the end of this year, an improvement of 2.3 percentage points on the December 1982 figure.

Increasingly, rights issues are being announced by companies to which such considerations of balance-sheet reconstruction are academic. MFI is an obvious example. Cash is being raised from shareholders to take advantage of future and unspecified opportunities after a period of strongly rising equity values. To some market analysts, at least, that must be a worrying message.

Brooke Bond

The rising tea price is so far proving an unmixed blessing to Brooke Bond, which has not only plucked the expected cyclical profits from its plantations but is doing fairly well at feeding higher commodity prices down through the distribution system. However, the 37 per cent rise in pre-tax profits to £48.2m for the year to June owes at least as much to loss elimination and interest savings as to better operating margins.

Although some nasty things have emerged from Mallinson Denny's



woodshed – notably in Thailand – the timber business in the UK doubled its profits, and the acquisition may be near to paying its way next year.

Brooke Bond may now have got things about right. The fact that net borrowings scarcely moved in a period when tea and timber prices were rising fast bears witness to the group's improved financial controls. While progress this year may seem securely hitched to the still soaring price of tea – currently about 40 per cent higher than in June – there should also be something to come from more loss elimination and lower financing costs. At 70½p, down ½p, the shares yield a rather wary 8.7 per cent.

U.S. banks

In spite of international debt crisis and the squeeze on the domestic energy industry, by and large, U.S. banks have managed to keep their income moving ahead. The spate of third-quarter statements in recent days shows that, for the money centre banks, the problem of non-performing loans to Latin America is still growing. For Chase Manhattan on Monday, that was the main reason for a drop in profits, although Citicorp yesterday managed to push earnings per share up by 8 per cent compared with a year earlier.

The message here is that, as loans are switched to a non-performing basis, so that interest income is recorded only when paid, the banks' earnings progression is likely to become more erratic.

The performance of the domestic U.S. banks is more varied still; with regional influences uppermost. The domestic banks were squeezed in the third quarter because the prime was slow to rise along with interest rates as the big banks brushed up their image in Congress while the IMF bill was being considered.

As a result, spreads should look rather healthier in the current quarter. In spite of the strong share price gains since the autumn of 1982, the money centre banks are on p/es of around 6, or half the market average, while the average p/e for the regionals is about 8.

Paterson Zochonis

Companies involved in Nigeria must get used to the intermittent operation of a very special Catch-22, and Paterson Zochonis finds itself in a classic trap this year.

Pre-tax profits – down 10 per cent to £26.8m – have been affected by the difficulties of importing. Yet that particular damage has been limited by PZ's strategic decision to build up its domestic manufacturing base in recent years. The local companies have seen healthy profits growth – after all, the imported competition has been booted out of the market. But, so far, PZ has failed to find a way of getting the money home efficiently.

Revenues trapped in Lagos – for an average of six no-interest-bearing months – have risen from £7.5m to £37.3m. As a result, UK bank overdrafts have been forced sky-high, from £41.4m to £82m. So far, the impact on the interest payable line has been muted, but it is likely to come through, full force, in the current year.

Public borrowing

The exercise of running the latest UK public borrowing figures through the Treasury computer seems to have been rather harrowing for those concerned. Even with the benefit of seasonal adjustments, the half-year total could only just be squeezed into conformity with City of London expectations of around £9.5bn for the full year. But the seasonal adjustments seem to have been more "judgmental" than usual, and the official handout naturally lays stress on the difficulty of interpreting them.

The wild swings in spending behaviour over the last two years have made forecasting the full-year Public Sector Borrowing Requirement an unpopular sport. Yet if previous patterns were to resurface, the final figure could be over £11bn, a number likely to cause some consternation in the gilt-edged market.

Brazil gives assurance

Continued from Page 1

banking community since his appointment as successor to Sr Carlos Langoni nearly two months ago.

Today he moves on to Zurich for a presentation to Swiss banks, which will be closely watched because they were lukewarm towards Brazil's first debt rescue effort mounted last spring.

Sr Pastore said he expected foreign investment inflows into Brazil to increase to around $1.5bn a year as its adjustment programme got under way. This compares with about $400m to $500m at the moment, and should further reduce the need for loans from commercial banks over the next few years.

Lloyd's underwriters face £13m losses

JOHN MOORE, CITY CORRESPONDENT, IN LONDON

MORE THAN 200 underwriting members of Lloyd's, the London insurance market, who form a syndicate, face losses of more than £13m ($19.5m) – one of the largest series of losses sustained by an insurance syndicate in the market.

About 24 underwriting agents who look after the affairs of the 235 members who form the syndicate, including sports personalities Mark Cox and Virginia Wade, yesterday sent out a report and accounts detailing the losses.

Earlier this year, losses were expected to be at least £4.6m, but the estimates have been revised to the present levels.

Each underwriting member may now have to meet the losses out of personal wealth.

The report says insurance business accepted on behalf of the syndicate was "exceptionally poor" in quality.

The syndicate also accepted more business than was permitted under Lloyd's limits, and there was difficulty in recovering money owed under reinsurance contracts.

BIS optimism on debts

Continued from Page 1

gate current account deficit for this group of countries of the order of magnitude forecast may be financeable," the BIS states.

Nonetheless, its figures cannot disguise the marked slowdown in international bank lending that started in 1981 well before the Mexican debt crisis erupted in August last year.

Within the reporting area, there has also been a marked slowdown of interbank business as banks cut down the funds they deposit with each other. Cross-border interbank lending fell by $4bn in the second quarter after rising by $14bn in the first.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	21	70	Dubrovnik	C	15	59	Malaga	S	23	73	Salzburg	C	11	52
Akrotiri	S	25	77	Faro	S	23	73	Malta	F	20	68	Seoul	C	22	72
Algiers	F	23	73	Florence	F	18	64	Manila	C	33	91	Singapore	S	32	90
Amsterdam	F	15	57	Frankfurt	D	9	48	Miami	C	30	86	Stockholm	C	11	52
Athens	S	23	73	Funchal	F	22	72	Milan	S	18	64	Strasbourg	C	11	52
Bahrain	S	30	86	Geneva	F	12	54	Moscow	S	15	59	Sydney	C	23	73
Bangkok	R	28	82	Gibraltar	F	22	72	Munich	F	10	50	Taipei	S	31	88
Barcelona	S	19	66	Guernsey	C	14	57	Nairobi	F	27	81	Tangier	S	25	77
Beirut	S	25	77	Helsinki	C	9	48	Naples	C	15	59	Tehran	—	—	—
Belgrade	C	11	52	H. Kong	S	30	86	New Delhi	S	30	86	Tel Aviv	F	25	77
Berlin	F	13	55	Innsbruck	S	11	52	New York	F	17	63	Tenerife	S	23	73
Biarritz	C	17	63	Inverness	R	13	55	Nice	S	21	70	Tokyo	C	18	64
Blackpool	C	14	51	Istanbul	S	20	68	Oporto	S	20	68	Toronto	C	16	61
Bordeaux	C	16	61	Jersey	C	13	55	Oslo	S	11	52	Tunis	F	21	70
Brussels	C	15	59	Jo'burg	S	24	75	Paris	C	15	59	Valencia	S	22	72
Budapest	C	11	52	Las Palmas	F	24	75	Prague	F	11	52	Venice	S	17	63
B. Aires	F	19	66	Lima	S	22	72	Reykjavik	C	3	37	Vienna	F	12	54
Cairo	S	27	81	Lisbon	S	20	68	Rio de J'o	C	40	104	Warsaw	S	11	52
Cape Town	S	23	73	Locarno	S	17	63	Rome	F	19	66	Zurich	C	11	52
Caracas	C	28	82	London	F	16	61								
Casablanca	S	22	72	Los Angeles	S	24	75								
Copenhagen	S	12	54	Luxembourg	C	9	48								
Corfu	F	20	68	Madrid	S	18	64								
Dublin	F	15	59	Majorca	S	22	72								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Japan accepts U.S. import quotas

Continued from Page 1

products from the quotas imposed by the Reagan Administration last July, create a separate country quota, and moderate the planned reductions for Sweden.

The understanding, which runs for four years ending July 1987, involves a 25 per cent cut in alloy tooling steel, bar and rod exports under the quotas.

Exceptions for such items as ball bearings will mean total shipments will decline by about 23 per cent this year, officials said. The quota will be raised by 3 per cent a year.

● Denmark announced yesterday it was imposing sharp restrictions on imports of East German steel, which government officials said was being sold at dumping prices, reports AP-DJ in Copenhagen.

The Industry minister, Mr Ib Stetter said he received parliamentary approval to limit East German steel to 750 toones for the rest of the year.

East Germany in the first half of 1983 alone sold Denmark 13,000 tonnes of steel at about DKr 1,715 ($182) per tonne, or 55 per cent of the normal market price of around DKr 3,010 per tonne.

Mr Stetter said he recommended the ceiling after he and the Foreign Minister, Mr Uffe Ellemann-Jenson, failed to persuade East Germany to raise its prices.

"We have complained to the East Germans before that they are profiting by exporting far more to Denmark than they are importing from us," Mr Stetter said.

He also said the imports could hurt steel production in Denmark and in its nine EEC partners, which have banned cheap steel from non-member countries, because of overproduction.

He rejected East German claims that its steel is priced low because it is of second-rate quality.

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday October 19 1983

Commerzbank to pay dividend after 3 years

BY JOHN DAVIES IN FRANKFURT

COMMERZBANK, West Germany's third largest commercial bank, expects to pay a dividend of DM 8 per DM 50 share on this year's earnings, after a three-year gap in its payout to shareholders.

Dr Walter Seipp, the chief executive, said yesterday that resumption of a dividend was now certain in view of the bank's earnings so far this year.

He said he saw no reason to contradict rumours in stock market circles that the managing board would recommend a DM 6 dividend for this year.

Despite greatly improved operating results, it would be wrong to set a dividend so high as to prevent adequate risk provisions being set aside, he added.

Commerzbank last paid a dividend – amounting to DM 8.50 – on its 1979 earnings, before plunging ever deeper into difficulties.

The bank suffered a severe setback as the rise in interest rates led to mismatched credit business, with long-term loans financed by borrowings at higher rates in short-term money markets. It also had to make considerable provisions to cover write-down of securities.

Dr Seipp was brought in from Westdeutsche Landesbank to become the new chief executive in May 1981. He has presided over a recovery strategy that has included reorientation of borrowing and lending business, and sale and lease-back of property.

Along with other banks, Commerzbank showed a hefty improvement last year but decided to strengtheo its position by building reserves and making considerable provisions for risks, at bome and abroad.

Its operating earnings made a further strong advance in the first balf of this year. Its partial operating result, which basically consists of interest and commission earnings minus staff and material costs, reached DM 466m ($181m), 68 per cent higher than the figure for balf of last year's result.

The bank will release its nine-month results today.

The other two big West German commercial banks, Deutsche Bank and Dresdner Bank, have also reported improved operating earnings in the first half of this year.

Dresdner has indicated it is considering lifting its dividend after having cut it from DM 6 in 1980 to DM 4 in each of the past two years.

Earnings tripled at Crown Zellerbach

By Our New York Staff

CROWN ZELLERBACH, the major U.S. forest products group tripled its earnings from $7.4m or 6 cents a share to $22.3m or 68 cents a share in the third quarter, partly due to the sale of loss-making subsidiaries and a general strengthening in its paper markets. Revenues slipped from $749.2m to $711.8m.

The group says its timber and wood products businesses showed gains relative to last year as well but the results reflected generally soft log and timber markets.

The third quarter results contain a provision for $12.6m taxes compared with the same period last year when the earnings were boosted by a $4m tax credit. However, last year's figures include the results of Crown Zellerbach Canada and Norsk Pacific Steamship, which contributed $107m to sales and a $6.7m pre-tax loss. These operations have since been sold.

Mr William T. Creson, Crown Zellerbach's chairman, said: "Improvement in paper markets is a particular source of satisfaction. The higher operating rates mean that the company is able to enjoy the benefits of the improved cost effectiveness at mill level."

At the nine months' stage, earnings rose from $34.2m or 80 cents a share to $62.7m or $1.77. Sales fell from $2.23bn to $1.98bn.

Strong gains for U.S. drug groups

By Our New York Staff

ELI LILLY and Merck two of America's leading pharmaceutical companies, have reported strong earnings gains in their third quarters on the back of modest sales increases.

Eli Lilly's net income rose 24.4 per cent to $103.9m in the latest quarter. Earnings per share were $1.40 in the latest quarter compared with $1.10 a year ago. The latter was depressed by a 20 cent per share charge for the withdrawal of the drug Oraflex, but the company notes that the third quarter 1982 earnings benefited from sales of the product.

Merck's third quarter net income is up 15 per cent at $109m on a sales increase of 6 per cent to $798m. Eli Lilly's revenues rose by a similar amount to $708m.

Merck's earnings per share totalled $1.47 in the latest period against $1.28 a year ago. For the nine months earnings per share are 9.6 per cent higher at $4.68 per share.

Lilly says that all sectors of its business posted gains, led by pharmaceutical sales in the U.S. Its medical instrument systems division turned in a good performance.

NON-PERFORMING LOANS CLIMB TO $2.6BN

Property sale lifts Citicorp

BY PAUL TAYLOR IN NEW YORK

CITICORP, the largest U.S. banking group in terms of assets at year-end, yesterday reported an 11 per cent increase in third-quarter earnings – entirely attributable to a special gain on the sale of property in Hong Kong.

The bank also disclosed that its non-performing loans climbed to $2.6bn at the end of the quarter and pushed higher mainly because of loans to borrowers in Latin America's private sector.

Manufacturers Hanover, the fifth largest U.S. banking group, whicb recently announced plans to buy RCA's City Financial subsidiary, also reported modestly higher third-quarter earnings, up 3.2 per cent over the year earlier at $88m, but said earnings would bave been $1m lower bad it not been for a change in state banking rules covering non-performing loans.

Also reporting yesterday was **Bankers Trust New York**, parent of Bankers Trust, the 10th largest bank in the U.S. Third-quarter net earnings rose from $56.1m or $1.95 a share to $63.3m or $2.05, lifting nine-month profits from $158.3m or $5.54 a share to $188.2m or $6.12.

Mr Alfred Brittain III, chairman, attributed the rise in third-quarter earnings to lower investment losses, higher income from trust and letters of credit, and lower provision for loan losses and operating expenses.

The third-quarter loan loss provision was $10m compared with $35m in the 1982 quarter. The allowance for loan losses rose to $244.7m at September 30 against $226.7m a year earlier.

Citicorp said its net earnings in the third quarter were $221m of $1.66 a share ($1.58 a share on a fully diluted basis) up from $199m or $1.54 a sbare ($1.46 a share fully diluted) in the comparable period last year on revenues whicb grew from $1.35bn to $1.44bn.

That belped to boost nine-month earnings to $659m or $4.99 a share ($4.74 a share fully diluted) from $530m or $4.11 a share ($3.91 fully diluted) on revenues which increased from $3.7bn to $4.3bo.

The bank said it achieved the results "despite a difficult operating environment." Among the adverse factors affecting performance, the bank noted "an increase in non-performing loans," although it added: "The casb yield on sucb loans was only slightly below the average base rate."

Citicorp also cited continuing credit write-offs as well as year-to-date increase in income taxes of $212m, bringing the effective tax rate to 47 per cent from 42 per cent as other negative factors.

Citicorp said its non-performing loans increased to $2.6bn or 3 per cent of total outstanding loans at the end of the third quarter, up from $2.3bn at the end of the second quarter and $1.5bn a year ago. The bank noted that the historical bigh was reached at the end of 1976 wben 5.8 per ceot of its loans were non-performing.

"The increase in non-performing loans was primarily attributable to weakness in the Latin American private sector," the bank said.

Reflecting that, Citicorp disclosed that its yield on oon-performing loans had been 10.3 per cent in the year to date compared with the average tending rate of 11 per cent.

The bank said its allowance for loan losses stood at $728m at the end of September, bolstered by the addition of $82m during the past 12 months.

Noo-interest income also showed gains in both periods, driven by strong fee and commission growth, and the third-quarter revenues were further bolstered by a $32m pre-tax gain ($23m after tax) on the disposal of property in Hong Kong.

Bank of Boston reported third-quarter net earnings of $32.8m or $1.79 a sbare compared with $35.5m or $1.95 a share in the third quarter last year. Nine-month earnings, however, increased from $85.98m or $4.56 a share to $101.1m or $5.54 a share.

Repnblic New York, the banking group controlled by Mr Edmund Safra's **Trade Development Holdings Group**, reported third-quarter earnings of $22.2m or $1.37 a share compared with $19.4m or $1.37 a sbare and nine-month earnings of $62.7m or $4.13 a share compared with $50.97m or $3.85 a share in the same period last year.

Go-ahead for CGE, Olivetti

By Paul Betts in Paris

THE FRENCH Government has given Compagnie Générale d'Electricité (CGE), the large French nationalised electronics group, the go ahead to acquire a 10 per cent stake in Olivetti, the leading Italian electronics company, the office of the French prime minister confirmed yesterday.

But the Government will not give CGE any direct financial support to help it acquire the 10 per cent stake in the Italian concern. The prime minister's office yesterday said it considered the issue a matter for CGE to resolve by itself.

The French Government controls at present 32 per cent of Olivetti through the nationalised Bull computer group and the nationalised Saint-Gobain diversified glass concern. The government is now willing to sell this stake to enable CGE to acquire 10 per cent of Olivetti. The remaining 22 per cent beld by France is expected to be bought back by Olivetti or institutional investors or a combination of both.

CGE, bowever, is understood to have hoped for financial support from the Government to buy the Olivetti stake.

Best ever quarter for Philip Morris

BY TERRY DODSWORTH IN NEW YORK

PHILIP MORRIS, the diversified U.S. tobacco group, reported a 14.4 per cent rise in third quarter net earnings yesterday to $285.9m, while operating revenues rose by 13 per cent to $3.5bn.

The group, whicb operates under the Marlboro and Benson & Hedges trademarks, and also owns the Seven-Up soft drinks company and Miller Brewing, said the results reflected the best quarter in the company's history. This had been achieved, however, despite a fall in volume in the tobacco market, where aggregate industry sales had slipped

Philip Morris's share of this declining market had gone up, both for the three month period and over the first nine months of the year, the company added. In the Miller Brewing division; barrel shipments rose during the quarter although they remained flat for the full nine month period, while the Seven-Up brand had achieved gains for both periods.

Allis-Chalmers sees signs of recovery

BY TERRY DODSWORTH IN NEW YORK

ALLIS-CHALMERS, the U.S. agricultural equipment and machinery manufacturer, reduced losses in the third quarter to $19.5m net from $63.4m and said that its reorganisation measures were a positive sign for a return to profitability as markets recover.

The improvement was achieved after a 6 per cent fall in sales to $318.4m, mainly as a result of a fall in activity in the group's process equipment division. Agricultural equipment sales improved compared with a year ago, when the company was hit by production shutdowns for lengthy periods.

Earlier this year, Allis Chalmers rescheduled part of its long-term debt after recording a $207m net loss in 1982, when all its main markets slipped into recession at the same time.

Mr David Scott, chairman and chief executive, said yesterday that it appeared the prolonged slump in the agricultural equipment market was now bottoming out. The summer drought in the U.S. was expected to lead to higher grain and soya bean prices which would in turn lead to more acreage being planted next year, and a consequent upturn in equipment sales, he said.

Severe price discounting had continued in the lift truck industry, however, and the impact of the recovery in the U.S. bad not yet filtered through to the process equipment market.

Rumasa losses at $280m since takeover

By David White in Madrid

RUMASA, formerly Spain's largest private holding group, has made losses of at least Pta 42bn ($280m) since it was expropriated by the Government almost nine months ago, according to official statemeots to the budget committee of the Cortes, the Spanisb parliament.

The current loss rate indicated by Sr Javier Moral, head of the State Patrimony Department, whicb now controls Rumasa, shows little change from provisional estimates for last year.

The group's continuing problems raise questions about the extent to whicb its banking and diversified other interests – including sherry, hotels and construction – can be successfully transferred back to the private sector, in compliance with the Socialist Government's stated intentions.

The negotiating process for hiving off the first of Rumasa's non-banking activities is held up pending an imminent decision by Spain's highest court, the constitutional tribunal, as to whether the Government was acting within its rights when it issued its expropriation decree.

Oil services slump pulls down Northwest

BY WILLIAM HALL IN NEW YORK

CONTINUING HEAVY losses at Lone Star Steel bave resulted in Northwest Industries' doing little more than break even in its third quarter. The conglomerate is planning to sell some of its assets and says it may have to establish additional reserves against some of its assets in the final quarter.

Northwest earned $1.7m in the third quarter and $4.9m for the first nine months of the year. That compares with nine-month earnings of $178m last year, and the sharp downturn reflects the severe recession in the U.S. oil services industry, which has led to beavy losses at Lone Star, the group's main operating subsidiary.

Lone Star, which earned $252.7m in the first nine months of last year, made a $74.2m loss in the corresponding period of the current year.

The company says that, despite the upturn in drilling activity since the April low point, the timing of a recovery at Lone Star, which supplies the oil services industry, is uncertain.

Although substantial reductions have taken place, high levels of inventories of oil-industry equipment continue to remain in the bands of distributors and users, while widespread price discounting as a method of clearing those inventories continues to affect business in Lone Star's principal market.

The company says that in the third quarter, price discounting by mills became more intense and, for the first time, extended generally to new production. A continuation of such discounting will postpone Lone Star's recovery to profitability and depress Northwest Industries' results.

The company says that if its consolidated earnings for the whole of 1983 are what it now forecasts, it should receive a tax refund of approximately $70m cash in the first half of next year.

Goodrich bounces back to surplus

By Our Financial Staff

A STRONG recovery was achieved by B.F. Goodrich, the fourth largest U.S. tyre company, in the third quarter. On sales up $57.3m at $852.7m the group swung the after tax result from a $100,000 loss to a $14.1m profit, 15 cents loss to 60 cents earnings per share.

This left Goodrich, which also has interests in chemicals, plastics and engineering products, showing net earnings for the first nine months of $12.4m, against $900,000 last time, or 44 cents, against a 37 cents loss.

The latest quarterly figure benefited from a $2.7m tax credit, whereas a year earlier a $6m stock gain was offset by a $3.7m loss on the devaluation of the Mexican peso.

Downturn for Gould

BY OUR NEW YORK STAFF

EARNINGS AT Gould, the Illinois manufacturer of electronic measurement and automation equipment were held back in the third quarter by lower margins in the semiconductor division and by higher costs and delays in mini-computer operations.

But Mr William Ylvisaker, the chariman, predicts increased sales and earnings in the final quarter and expects "the positive momentum," to continue into 1984

At the nine months stage Gould, which has sold off its electrical and battery operations, had earnings of $53.9m or $1.19 a share from continuing operations on sales of $982.5m, compared with $59.6m or $1.39 on sales of $941.3m in the comparable period.

For the whole of fiscal 1982, the group turned in earnings of $92.8m, on sales of $1.6bn. The third quarter saw earnings from continuing operations dip from $20.4m or 49c to $19.1m or 42c despite an 11 per cent rise in sales to $336.8m.

Mr Ylvisaker reported a 30 per cent increase in group orders in the quarter, reflecting an upturn throughout the group's range of business. Profits from electrical components increased significantly and factory automation, defence systems and medical instrumentation operations also improved.

Gould is buying Compion Organisation, a privately owned computer software company with which it has already worked on the adaption of mini-computer systems.

Divisional recovery aids Honeywell gain

BY OUR NEW YORK STAFF

HONEYWELL, the U.S. computer maker which has been attempting to improve the profitability of its information systems division, reported sharply higher net earnings of $58.4m or $2.55 a share in its fiscal third quarter ending October 2 compared with $43.8m or $1.96 a share in the same quarter a year ago. Revenue increased from $1.34bn to $1.4bn.

The latest results were attributed by Honeywell to cost savings and "sharply higher" operating profits in the information systems division.

For the nine months Honeywell reported earnings of $139.3m or $6.10 a share compared with $184.9m or $8.27 a share. The previous period includes a $90.8m pretax gain from the sale of assets.

● Wang Laboratories, the leading U.S. office automation equipment manufacturer, announced a 55.6 per cent surge in its fiscal first quarter net earnings. The company said net earnings in the quarter ending September 30 increased to $38.9m or 29 cents a share from $25m or 20 cents a share. Revenues increased by $107m to $412m.

The company said new orders increased by 39 per cent over the year earlier quarter and its backlog at September 30 was $89m higher.

● Burroughs Corporation, the office equipment maker increased its net income in the third quarter by 15 per cent to $42.5m. Revenues rose by 2 per cent to $1.0bn.

For the first nine months of the year Burroughs' net income is 7 per cent up at $114.4m. Earnings per share are up by a similar amount at $2.72 per share.

'Modest increases' reported by Pirelli

BY JOHN WICKS IN ZURICH

THE PIRELLI group's turnover rose last year from $4.08bn to $4.2bn, according to the Swiss holding company, Société Internationale Pirelli.

Recessioo affected demand for all main product sectors, though the Basle company reports a "modest increase" in sales volumes of cables and tyres, which together account for 65 per cent of overall turnover.

The group, which operates 110 factories in 16 different countries, carried out a major reorganisation last year. This included forming a new company, Pirelli Société Générale, in Basle for the co-ordination of group management.

This company is owned 50 per cent each by Pirelli Spa in Milan and Société Internationale Pirelli in Basle, and itself holds an 8 per cent stake in the various production subsidiaries. The remaining 92 per cent is beld equally by the Italian and Swiss bolding companies.

For the business year ended June 30, 1983, Société Internationale Pirelli recorded an increased net profit of SwFr 34.3m ($16.25m) against SwFr 30.2m in 1981-82, and is to pay an unchanged dividend of SwFr 15 per share and participation certificate. A sum of SwFr 5 will be paid for each new participation certificate issued in connection with the conversion of bonds this year.

Last year's reorganisation led to a reduction of the overall workforce by 2,822 to 67,624.

The Basle bolding company, however, is now looking forward to a "probable economic upswing" in most countries and markets. Demand for tyres is said to be improving already in the U.S. and in European countries other than Italy.

Investments in plant were $190m last year. In calendar 1982 and the first half of this year new projects included factories for manufacturing cables, optical fibres, radial tyres and tyre-wire.

IBM launches rival for Apple's Lisa

BY LOUISE KEHOE IN SAN FRANCISCO

IBM, the leading U.S. computer maker, yesterday moved to strengthen its position in the market with the announcement of new, high-performance versions of its personal computer (PC).

The new IBM 3270 PC will offer the ability to perform several tasks concurrently. Like Apple Computers' Lisa, the new IBM system will display data from up to seven applications in "windows" on the video screen.

A basic version of the 3270 PC will sell in the U.S. for $5,585. The price includes a colour monitor and software as well as the personal computer. This puts IBM's price significantly below that of Apple's competing Lisa. Lisa sells for $6,500 but includes a "bard disk" storage system. A similarly equipped IBM PC 3270 will sell for $7,180. According to IBM, however, it does not currently plan to sell the new PC version through retailers.

Setback for Hutton

BY PAUL TAYLOR IN NEW YORK

E. F. HUTTON yesterday became the first major U.S. investment firm to report a decline in third quarter earnings over both the same period last year and the record second quarter this year.

The Wall Street investment bank said it earned $20.4m, or 80 cents a share, in the latest quarter compared with $30.2m, or $1.27, in the 1982 quarter. The 1982 earnings were swollen by the start of the bull market and an approximated $8m after-tax gain from the sale of the firm's investment in Gulfstream Aerospace Corporation.

Mr Robert Fomon, chairman and president of E. F. Hutton, said that if the special gain had been excluded "the net profit for the third quarter of 1983 would be slightly below the same quarter of last year." Revenues for the period increased from $428m to $531m.

Wall Street'a investment houses had generally been expected to report lower earnings in the latest quarter.

Schlumberger stake protects future of French water group

BY PAUL BETTS IN PARIS

SCHLUMBERGER, the leading Franco-American oil service and electronics group, has acquired a 10 per cent stake, valued at FFr 500m ($63m) in Compagnie Générale des Eaux, the large diversified French water distribution company.

The deal puts an end to months of controversy over the future of the water distribution group, which is mostly privately owned and which, with group profits of FFr 432m on sales of FFr 26.7bn last year, is one of the largest companies quoted on the Paris bourse.

The controversy broke out when Saint-Gobain, the nationalised glass manufacturer, started accumulating Compagnie Générale des Eaux shares until it had acquired 33 per cent of the company. The water concern hit back, claiming the Saint-Gobain move was an attempt at creeping nationalisation of a company keen to maintain its management independence and private character.

Saint-Gobain was subsequently forced by the Government, anxious to defuse the row, to reduce its stake to 20.7 per cent in the water company. With the entry of Schlumberger as a holder of the company's share capital, the future of Compagnie Générale des Eaux as a private enterprise appears to be guaranteed.

The shareholders of the water company are now Saint-Gobain, which confirmed yesterday it had a stake of 20.7 per cent, Schlumberger with 10 per cent, Union des Assurances de Paris with 6 per cent, the state credit institute, Caisse des Depots, with 3.5 per cent, the nationalised Banque Nationale de Paris with 3 per cent, and a group of private shareholders led by M Guy Dejouany, the water company's chairman, with between 10 to 20 per cent. The remaining shares are held by small private investors.

Although Schlumberger's stake is smaller than Saint-Gobain's shareholding, the predominantly U.S. company's influence is expected to ensure the water group's independence and private character. Among other things, M Jean Riboud, Schlumberger's chairman, is a close friend of President François Mitterrand.

Moreover, Schlumberger and Compagnie Générale des Eaux have a long-standing business relationship which is expected to be consolidated with the acquisition by the oil services group of 10 per cent of the water company.

More cash for Austrian state-owned groups

BY OUR VIENNA CORRESPONDENT

AUSTRIA'S state-owned industrial companies have asked for a capital injection of Sch 16.6bn ($900m) spread over this year and next. Parliament is expected to pass the necessary Bill this week.

The activities of these companies are concentrated mainly in the primary production and have been badly hit by recession. Attempts to shift operations towards the more profitable production of finished goods have not yet counterbalanced their losses.

The companies have more that 100,000 employees — roughly 3.5 per cent of Austria's workforce. The management of the holding company, says that a cut of about 10,000 jobs is needed to eradicate losses.

Since 1975 the nationalised companies in Austria have received Sch 12.6bn in subsidies or capital increases. They declared their first loss, of Sch 770m, for 1980. In 1981 losses had mounted to Sch 5.8bn and were little better at Sch 5.05bn in 1982. The result for this year is expected to be roughly the same as in 1982.

The best known company is the steel concern, Voest-Alpine, which had seen its capital and reserves shrink to Sch 6.5bn by the end of 1982 despite capital injections of Sch 2.86bn. For 1983 Voest-Alpine needs Sch 3bn to cover expected losses and for 1984 the company is asking for another Sch 3bn. The company says it no longer has reserves to fall back upon.

The Voest management's main problem is steel. Manufacturing and the construction of industrial plant play too small a part in its business. However, though Voest makes its heaviest losses in the steel works, other divisions are also in the red.

In 1982 steel production ended with a loss of Sch 1bn, the forge with Sch 85m, the foundry with Sch 200m and the pipe mill with Sch 341m. In manufactured components, the loss amounted to Sch 528m and even engineering was slightly in deficit.

Therefore restructuring cannot be limited to cutting steel output but must cover the entire concerns, says Voest. Its directors say that the financial help they have received so far as well as the sums asked for are lower than the subsidies steel industries receive in other countries. However, Voest would be in better shape if restructuring had not been held up by the Government for political and social reasons.

Voest, with a turnover of Sch 71.3bn in 1982, is now asking for Sch 6bn in fresh capital in the hope that this will be enough to permit a return to profitability.

The other big nationalised company, VEW, a producer of high-tensile steel and manufactured goods, is in far bigger trouble than Voest. VEW has already been granted subsidies and capital increases of Sch 6.8bn and needs roughly another Sch 1bn in 1983 and Sch 2bn in 1984.

By the end of next year the company will have used up around Sch 10bn of state aid. The management admits that financial recovery is anything but close at hand.

VEW, even more than Voest, has been subject to political interference. It has been obliged to run loss-making plants and protect jobs. Only recently have the politicians accepted that the vicious circle of intervention, loss and subsidy must be broken and further state aid should not be wasted.

Chemie Linz, a producer of fertilisers, chemicals and pharmaceutical products, makes the largest part of its sales in bulk goods. Until 1982 the company kept out of trouble. But, last year, the slump in the commodities market affected Chemie Linz too and it now needs Sch 1.5bn from the Treasury.

The electrical engineering company, Elin-Union, got into trouble through the losses of a subsidiary in the Middle East. It will have to draw almost Sch 1bn from public funds this year.

In contrast, aluminium producer Ranshofen-Berndorf may see light at the end of the tunnel. After years in difficulties, tight economies and a 10 per cent reduction of the workforce, the company is no longer making losses. But it needs money to add depth to production.

ÖMV has oil wells in Austria, and is the only refinery in the country. It is one of the leading oil and gas importers, and runs a chain of petrol stations. The company has made good operating profits, but burdened by taxes and other costs, was forced to pay its last dividend from reserves. ÖMV has also had to take under its wing a loss-making nationalised petrochemical enterprise.

Dr Fred Sinowatz, the new Austrian Chancellor.

The unbroken thread running through the problems of the state holding group and its operating companies is that of overdue structural adjustments being delayed or prevented by political interference in the interests of employment and labour peace.

This difficulty has been aggravated by local pressures since many of the problem plants, especially in the steel and special steel sectors, are located in depressed areas of the country.

The former Chancellor, Dr Bruno Kreisky, always justified political intervention by the need to preserve full employment. His successor, Dr Fred Sinowatz, also a Socialist, is still trying to defer harsh measures.

But Dr Sinowatz has insisted on a tough recovery programme as a condition of new financial assistance and has signalled his readiness to agree to plant closures.

U.S. expansion for Mayne Nickless

By Lachlan Drummond in Sydney

MAYNE NICKLESS, the Australian transport, security and computer services group, is to pay US$33m for the armoured car operation of Puralator, the big U.S. transport and courier concern.

The Puralator armoured car operation will add more than US$90m a year in annual revenues to Mayne's expanding U.S. operations and, according to the Australian company, will leave it in second position in that sector of the U.S. market, just ahead of Wells Fargo, but behind the much bigger Brinks group.

Mayne already operates armoured car services in the U.S. through its Loomis subsidiary but the acquisition of Puralator, expected to be completed in a few weeks, will extend its operating base from the Western states to the remainder of the U.S.

Fleet Group takes leading stake in Faber Merlin

BY WONG SULONG IN KUALA LUMPUR

FLEET GROUP, Malaysia's largest newspaper publishing chain, is now effectively the biggest shareholder in Faber Merlin, the country's biggest hotel and property company, following heavy buying in the market in recent months.

Fleet is reportedly continuing to buy into Faber Merlin with the aim of exercising control, although a full bid is not expected.

To date Fleet, which is controlled by the ruling UMNO party, said it had bought 17m shares, representing 12.9 per cent of Faber Merlin's issued capital. It also holds 27.4m convertible loan shares acquired in May this year, which after conversion in January next year, would increase its stake to 23.6 per cent of the enlarged capital of 188m ringgit.

At the same time, Fleet's publishing subsidiary, New Straits Times Press, has also bought 5m Faber Merlin shares, or 3.8 per cent of its equity.

The price paid for the shares has not been disclosed, but Faber Merlin has been traded at between 1.8 and 3.2 ringgit during the last year.

Analysts say with such a sizeable stake and strong political support, it is only a matter of time before Fleet asserts its influence. Until now Faber Merlin has been effectively controlled by the Chang family, which however is now believed to have less than a 20 per cent stake.

The Changs have been associated with the group since its formation 20 years ago, but their influence has been greatly reduced during the past two years by the death of Mr Chang Min Thien, the head of the family, and by the dilution of their holdings through acquisitions in exchange for shares and share issues to Bumiputras (indigenous Malays).

Receivers for Carrian subsidiaries

HONG KONG — A Supreme Court judge has appointed two accountants as receivers and managers of Carrian Property Management and 56 other subsidiaries of Carrian Investment — the newly failed publicly quoted arm of the Carrian group.

The judge's order provides that the appointments should not prejudice the rights of any secured creditors of the 57 subsidiaries which exclude all companies in the Grand Marine Holdings and China Underwriters sub-groups.

● Hutchison Whampoa, the property and trading group, has announced the formation of a joint venture to operate a public mobile and portable radio telephone service with Motorola of the U.S. and Distacom Communications of Hong Kong.

The venture will be 51 per cent owned by Hutchison.
Reuter

North American Quarterly Results

BURLINGTON NORTHERN

Third quarter	1983 $	1982 $
Revenue	1.15bn	1.04bn
Net profits	140.2m	90.5m
Net per share	3.70	2.38
Nine months		
Revenue	3.35bn	3.1bn
Net profits	299.6m	293.7m
Net per share	7.86	7.72

CELANESE

Third quarter	1983 $	1982 $
Revenue	811m	714m
Net profits	33m	†18m
Net per share	2.08	†1.25
Nine months		
Revenue	2.41bn	2.28bn
Net profits	80m	20m
Net per share	3.64	1.07

† Loss

CERTAIN-TEED

Third quarter	1983 $	1982 $
Revenue	294m	242.1m
Net profits	14.2m	5.4m
Net per share	0.71	0.32
Nine months		
Revenue	782.2m	618.9m
Net profits	25.2m	†9.9m
Net per share	1.36	†0.96

† Loss

COLT INDUSTRIES

Third quarter	1983 $	1982 $
Revenue	391.7m	338.2m
Net profits	28.2m	14.3m
Net per share	1.06	0.58
Nine months		
Revenue	1.15bn	1.18bn
Net profits	68.6m	†175.9m
Net per share	2.79	†6.84

† Loss

CPC INTERNATIONAL

Third quarter	1983 $	1982 $
Revenue	1.04bn	1.03bn
Net profits	53.1m	59.7m
Net per share	1.09	1.24
Nine months		
Revenue	3.01bn	3.11bn
Net profits	137.1m	157.9m
Net per share	2.82	3.28

DOVER

Third quarter	1983 $	1982 $
Revenue	253.1m	229.5m
Net profits	17.5m	18.2m
Net per share	0.48	0.51
Nine months		
Revenue	744.7m	785.7m
Net profits	53.3m	68.6m
Net per share	1.60	1.92

E-SYSTEMS

Third quarter	1983 $	1982 $
Revenue	209m	188.9m
Net profits	17.9m	9.5m
Net per share	0.59	0.32
Nine months		
Revenue	618.5m	584.2m
Net profits	41.2m	28.5m
Net per share	1.36	0.87

FED'L NAT. MORTGAGE ASSOC.

Third quarter	1983 $	1982 $
Revenue	2.1bn	1.9bn
Net profits	24.9m	†13.2m
Net per share	0.38	†0.22
Nine months		
Revenue	6.3bn	5.4bn
Net profits	61.9m	†99.2m
Net per share	0.94	†1.67

† Loss

GANNETT

Third quarter	1983 $	1982 $
Revenue	412.5m	366.1m
Net profits	46.1m	42.9m
Net per share	0.87	0.81
Nine months		
Revenue	1.22bn	1.09bn
Net profits	130.9m	124.8m
Net per share	2.46	2.35

W.W. GRAINGER

Third quarter	1983 $	1982 $
Revenue	243.1m	205.7m
Net profits	15.8m	13m
Net per share	1.09	0.91
Nine months		
Revenue	648.1m	610m
Net profits	36.2m	37.9m
Net per share	2.51	2.65

GREAT WESTERN FINANCIAL

Third quarter	1983 $	1982 $
Gross income	470.1m	432m
Net profits	19.4m	†26.2m
Net per share	0.55	0.74
Nine months		
Gross income	1.37bn	1.25bn
Net profits	52.3m	†89.4m
Net per share	1.48	†2.53

† Loss

HERCULES

Third quarter	1983 $	1982 $
Revenue	570m	636m
Net profits	44m	34m
Net per share	0.80	0.66
Nine months		
Revenue	1.96bn	2bn
Net profits	124m	80m
Net per share	2.26	1.51

LIBBEY-OWENS-FORD

Third quarter	1983 $	1982 $
Revenue	298.5m	268.4m
Net profits	9.8m	6.3m
Net per share	0.69	0.48
Nine months		
Revenue	859.1m	826.6m
Net profits	23.6m	14.4m
Net per share	1.79	0.97

LONE STAR INDUSTRIES

Third quarter	1983 $	1982 $
Revenue	274.6m	249.7m
Net profits	7.8m	5.7m
Net per share	0.21	0.15
Nine months		
Revenue	653.7m	639.8m
Net profits	†17m	†1.2m
Net per share	†2.64	†1.01

† Loss

TECHNOLOGY

EDITED BY ALAN CANE

FRENCH GO OFF AT A TANGENT AND STRIKE BLACK GOLD

Drilling for oil at 90° to the normal

BY PAUL BETTS, RECENTLY IN PAU

"THE RUSSIANS and the Americans tried it 40 years ago but failed and gave up. Our own people thought we were crazy when we told them we wanted to drill for oil horizontally rathor than in the traditional vertical fashion. We have now shown we can do it, no one says we are crazy anymore and the hig oil companies are beginning to take notice of what we are *doing*."

M. Jacques Bosio, deputy research manager of the French Elf-Aquitaine oil group, is not a man given to modesty. He talks and swears more like a Texan than a Frenchman, and last week he was positively crowing when Elf successfully completed drilling its fourth horizontal well in the pastoral setting of a maize field at the foot of the Pyrenees Mountains.

The latest horizontal well at the Castera-Lou oil field has demonstrated that *horizontal* drilling can be done at big depths in difficult rock formations. Elf first tested the technique three years ago at two low-depth wells near its hnge Lacq gas field in this part of south-west France. It then applled this technique at a depth of 1400 metres offshore in the Adriatic whera Elf's third horizontal well began producing exactly a year ago.

After drilling horizontally at 3300 metres at Castera-Lou, Elf is now planning to go even deeper to about 5000 metres and drill horizontally under the city of Pau.

"What we do with this technique is actually to go and get the oil rather than drill a well and let the oil come to it," explained M. Bosio. The idea is to penetrate an oil deposit and then drill horizontally inside it. After initially drilling vertically under the surface or seabed, the drill is gradually curved to make eventually an angle of 90 degrees to enable horizontal entry into the oil deposit. "You use all the same equipment for traditional vertical drilling. The hard hit is keeping the drill horizontal inside the reservoir and completing the well," M. Bosio said.

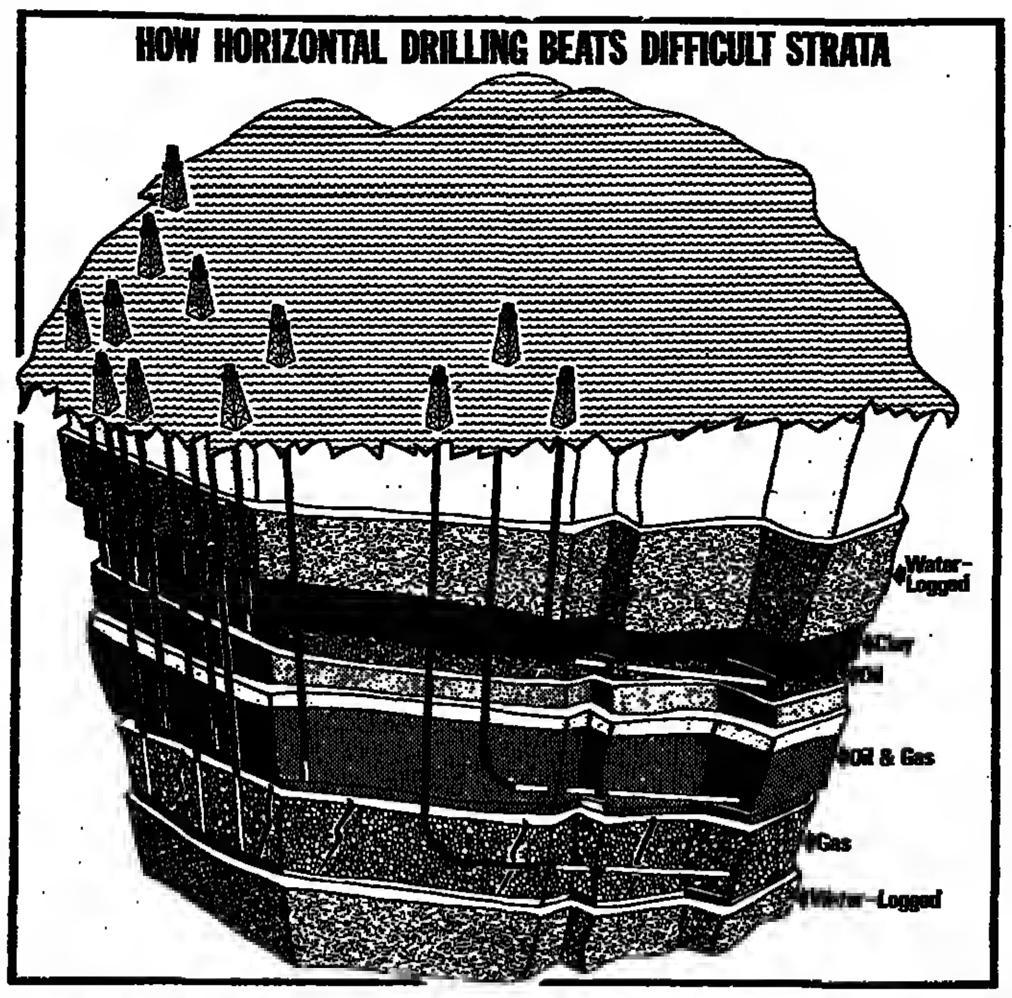
Elf believes it is the first company to have perfected horizontal drilling to the point where a well can be completed. The French oil company worked jointly with the French Petroleum Institute in the research and application of this unconventional drilling technique and was supported by a grant from the European Community.

It overcame the technical problems that forced others to abandon horizontal drilling ventures by devising a measuring and guiding system to keep the drill horizontal for an extended stretch underground. The electronic measuring system used in Elf's horizontal drilling system was developed by Elf's Teleco subsidiary. "You have to know all the time exactly where you are going," explained M Bosio. "You've also got to prevent the drill hit from drooping if you want to drill along a long horizontal line." To keep the drill flat, Elf has successfully used "packers" which are sent down the pipe and inflated underground with mud to plug any fissures or faults in the deposit. These rubber and metal packers help direct and maintain the pipe horizontal in the deposit. In the latest well at Castera-Lou, Elf had to turn the pipe like a snake inside the deposit around particularly hard rock formations while maintaining it flat all the time.

At Castera-Lou, Elf drilled 300 metres horizontally while at its Rospo Mare offshore field in the Adriatic it drilled as much as 600 metres horizontally.

"Extraordinary as this technical feat may be to an engineer like myself, to he able to sink, twist a pipe with great precision and then run it horizontally along a deposit, we also had to overcome economic difficulties," M Bosio said. The conventional wisdom has been that horizontal drilling was hugely expensive. "About ten times more than a traditional vertical well," remarked M Bosio. But Elf claims that its horizontal wells have cost it only about three times more than a conventional vertical well.

And even if it costs three times more than a vertical well, M Bosio says as long as a horizontal well prodnces four times more than a conventional well it has more than paid for itself. Indeed, horizontal drilling is especially adapted for narrow deposits, deposits prone to water invasion and structures with fissures. By drilling horizontally a well can reach oil that would otherwise not be extracted by the conventional method. Moreover, the horizontal well can be used to good effect to pump down into the deposit chemical substances to improve the recovery of crude. "I call it a mechanical method of enhanced recovery," says M Bosio. "After steam injection, gas injection, chemical injection you now have the mechanical or horizontal drilling method designed to enhance production of a given reservoir."



Horizontal drilling is possible in difficult strata; water-bearing, gas-bearing and faulty layers.

For Elf, the big break came with its horizontal drilling experiment offshore in the Adriatic. Although Rospo Mare is a giant oil field with an estimated 200m tonnes of oil in place, it suffers from a major problem of water invasion. "Each time you drilled there, water would flood into the well. We resolved this problem with horizontal drilling and our well is now producing 15 times more than the vertical wells next door," M Bosio explained. Elf took 71 days to complete its horizontal well at Rospo Mare penetrating the deposit for a length of 600 metres. The well has been producing recently at a rate of about 3,000-4,000 barrels a day. "We could produce more were it not for the state of the oil market," said another Elf official at Pau. The trouble is that the Rospo Mare crude is heavy (12-15 API) and there are no nearby refineries which can treat this crude economically at current oil prices.

The offshore well at Rospo Mare and now the successful completion of a new deep well at Castera-Lou have caused a growing interest in this technique among international and foreign oil companies. Standard Oil of Ohio (Sohio), the large U.S. oil company controlled by British Petroleum, recently sent two senior officials to visit Castera-Lou. Preussag, the West German oil company, has just become the first oil concern to sign a contract with Elf for horizontal drilling ventures in West Germany. "We are negotiating a horizontal drilling contract with the Chinese," added M Bosio.

TELECONFERENCING

Plessey gains rights to U.S. video system

BY GEOFFREY CHARLISH

OBVIOUSLY DETERMINED to attack the European market in the newly rejuvenated area of teleconferencing, Compression Laboratories Inc. in California has given Plessey Office Systems exclusive UK distribution rights to its latest product, an international videoconferencing system called VIS 512.

CLI had been in soma danger of missing the hoat in Europe because its earlier systems were designed to U.S. standards. Shortly after the San Jose company's first announcements in Europe in the summer, a newly-formed Anglo-American company, GEC-Jerrold, revealed that it had developed equipment in the UK that could deal with European PAL pictures at 625 lines and 50 frames as well as the U.S. NTSC standard of 525 lines/60 frames.

The CLI announcement means that both companies can now offer systems able to provide automatic conversion to and from either picture standard, with digital transmission rates from 512 kilobits per second to 2,048 megabits per second. Even at 512 kb/s acceptable pictures are obtained provided the picture content is stationary.

True international teleconferencing, in which businessmen in, say, the UK, Germany and the U.S. can confer by satellite—at reasonable cost and without leaving their offices—is now on the cards.

British Telecom has already set up several experimental links to the U.S. and there are European trials in progress.

Both systems use the latest forms of picture data compression techniques allowing sharp colour pictures to be sent over standard International 2.048 Mbit/sec digital channels. Normal TV transmission requires much higher handwidths and previous attempts to apply compression have degraded the picture.

Demonstrations by both GEC-Jerrold and CLI prove that colour pictures virtually indistinguishable from normat off-air hroadcast quality are obtainable. For documents or graphics, a slow-scan technique is used to obtain all the data from a single TV frame, which can then be sent for "re-assembly" at very high definition at the other end —while the normal conference pictures continue to be sent.

Plessey Office Systems will distribute the VTS 512, an earlier system, the 1.5E, and also the portable Mini Conference System (MCS) from Compression Labs. In terms of installation, commissioning, and servicing systems complete with studio and camera facilities, it will be assisted by another UK company, Oceonics Communications, which specialises in turnkey system integration.

Meanwhile in the U.S., *AT & T Information Systems* has agreed to purchase the CLI systems and shipments are planned to begin within weeks.

FACSIMILE SECURITY

Muirhead add-on unit

LIKELY to be of interest to hanks, oil companies, government and military organisations with a need for secure document transmission is an add-on unit for the Mufax 7800 group 3 digital facsimile system marketed by Muirhead.

Developed in conjunction with Racal Comsec the device, designated MA 4434, automatically enciphers the facsimile signals before feeding them to the telephone line, making it virtually impossible for an unauthorised receiver to decipher them without a similarly programmed device at the other end.

The unit, which is compact and fully automatic, needs no operator intervention apart from entering the code "key," and its speed automatically follows the bit rate selected hy the Mufax 7800. The sending speed depends on the line conditions perceived hy the fax machine and can be 9.6, 7.2, 4.8 or 2.4 kilobits per second: to maintain picture quality the machine slows down if the line is bad.

More on 01-650 4888.

Software

Rapport now for U.S. mini

AMERICAN minicomputer-maker Data General has become one of the hardware suppliers which will sell the sophisticated Rapport management software written hy Logica in the UK.

Rapport is a system which allows all of an organisation's computer applications to he run on an integrated piece of software, or relational database. It comes with a powerful query *facility*—Rasql — and software to develop on-line applications known as Rapide.

Data General is free to distribnte the latest version of the software everywhere ontside of America. Rapport-4 is the latest release of the software which hrings the report generation, screen format and application development option's of Rapide with it. More from Logica on 01-637 9111.

Peripherals

Tandy's 7-colour kit

A SEVEN-COLOUR printer for use with microcompnters is available from Tandy for £499.

The CGP-220 ink-jet printer from Tandy can take colonr text or graphics off a microcompnter screen and print them out in hlack, red, green, yellow, hlue, magenta and violet.

A screen print facility for the TRS-80 colour machine allows multi-colour printing from any graphics program, but this feature would need to be specially written fer another make of microcomputer. More from Tandy on 021-454 4124.

UK COMPANY NEWS

Brooke Bond gathers pace in second half

FOLLOWING AN advance from £18.92m to £20.89m at midway, profits at Brooke Bond Group accelerated in the second half of the year to June 30 1983, finishing the period £12.9m higher at £48.2m.

The directors of this tea, coffee, meat and timber group describe the 12 months as a "watershed" in the group's fortunes, predicting that the improvement will be sustained.

They report that rationalisation has nearly been completed and core businesses—branded groceries, timber products and plantations — identified. These now have a clear strategy and development plan.

Turnover for the year fell from £953.7m to £913.7m but operating profits, including associates profit of £3.3m (£4.4m), rose from £56.8m to £63.6m. The taxable surplus was after lower interest of £15.4m (£21.5m), while the tax charge increased from £17.5m to £22m.

This left earnings per 25p share ahead from 5.22p to 7.77p and the dividend total is raised from 3.905p to 4.1p with a final payment of 2.85p net.

Below the line, there were minorities of £2m (£1.6m) and extraordinary debits of £13.2m (£2.4m).

These included a provision of £9.2m against the group's interests in Thailand. Because of continuing adverse trading conditions in that country it has been decided to reduce the scale of future operations substantially while continuing to trade at a lower level.

A further £3m was against costs of rationalising timber operations in Continental Europe and the rest of the charge consisted of provisions against the cost of closure or disposal of a number of small operations which were either peripheral to the group's main activities or not viable for the future.

HIGHLIGHTS

Lex considers the build-up of the rights issue queue and its implications for the equity market as a whole before moving on to the latest batch of third-quarter results from the U.S. banking fraternity. Closer to home the column examines the latest figures from **Brooke Bond** where profits for the full year are up from £35m to £48m. **Paterson Zochonis** produced pre-tax profits down 10 per cent to £26.8m in the full year to May 31. Finally the column reports on the latest public sector borrowing figures which, at least as far as the market is concerned, can be summed up in one word—bad.

UK profits increased by 31 per cent. With one or two exceptions, all companies increased their profits and the net gain was further boosted by loss eliminations.

Brooke Bond Oxo again made a substantial contribution, achieving record profits and Baxters showed a material improvement over last year.

Mallinson Denny UK profits doubled but, for the group as a whole, this was reduced by a considerable downturn in Australia, due to the recession, and by low profits in the U.S. and in Thailand.

The Oxoid Group increased its profits significantly, mainly as a result of increased penetration of overseas markets and the rising trend in tea prices, together with record crops in East Africa, enabled the tea estate companies to make higher returns.

There was a small loss from ranching in Zimbabwe and Paraguay because of drought in the one country and floods in the other.

Good progress was made in Canada and in the Australian tea market, but fierce competition in the instant coffee market resulted in a fall in grocery profits in Australia.

Brooke Bond India achieved record profits. Rigid government price control in the tea trade against a background of rising commodity costs caused a heavy loss in Brooke Bond Pakistan.

On a CCA basis group pre-tax profits showed an advance from £17.7m to £20.9m.

See Lex

Ibstock back in the black and set to beat record £5m

IN REPORTING a swing back into profit, Mr Paul Hyde-Thomson, the chairman of brick manufacturer, Ibstock Johnsen, says this is the first proof of the greatly-improved trend in its business. It reflects the accelerating performance in the UK, the turning point in the U.S., and the disposal of its Dutch business.

He says favourable market factors are strengthening its businesses both in the UK and U.S. Whereas in the second half of last year it reported a small loss, he expects the second half to show a profit substantially above previous expectations, leading to pre-tax profits for 1983 in excess of the previous best of £5m.

Pre-tax profits for the first six months were £1.62m against losses of £1.27m. The fibres division, however, fell into the red with losses of £146,000 against profits of £399,000.

The interim dividend is raised from 1.5p to 1.75p, and the board expects the final dividend to be increased at least pro rata to last year's 3p which was paid when losses were £1.41m. Earnings per 25p share were 3.41p against losses last time of 5.63p.

The interim has been increased in the light of the expected profit for the full year and the prospect for further major growth next year.

Building Products' turnover in the first half was up from £29.64m to £33.74m, and this division's trading profits climbed from £787,000 to £3.64m.

Group pre-tax profits were struck after expenses of £344,000 (£329,000) and interest charges of £1.53m (£2.13m).

Tax was considerably higher at £648,000 against £335,000, and there were extraordinary credits of £176,000 compared with debits of £887,000.

The chairman says that since the sale of the Dutch business, and with buoyant trade in the UK, cash flow has improved considerably. The company expects this trend to strengthen so that it can not only meet the requirements of the group's capital investment programme, but also achieve a significant reduction in group borrowings by the end of 1984.

The UK subsidiary, Ibstock Building Products, is achieving the substantial increase in profits anticipated in the last annual report. Profits at the trading level for the first half improved from just under £3m to over £5m. He says profits are continuing to increase and order books are well balanced and of good quality.

Last December, Ibstock and London Brick agreed terms of a merger to be effected by an offer by London Brick for Ibstock. A month later, Redland made a rival offer, but in April decided not to pursue its bid.

On August 17, the Monopolies and Mergers Commission gave the "go-ahead" to London Brick, but after making an improved offer a week later, Ibstock Johnsen said the new terms were not acceptable. In the absence of a recommendation, London Brick decided not to proceed with the offer.

● comment

In August, London Brick turned its back on Ibstock Johnsen because its market price had outrun the offer over the course of a Monopolies reference. But what now? Even with American losses of £1m Ibstock should clear £6m pre-tax in 1983 with little difficulty. LB might have missed its chance to capture Ibstock with its profits down but it will take London Brick a lot of money and a lot of time to supplant Ibstock with a green field development of its own. And now London Brick has the look of the hunted rather than the hunter. Hanson Trust has built up a 9 per cent stake in LB and no matter what Hanson says about an "investment" the defence must get going. A take-over of Ibstock would be ideal. The Monopolies Commission has given such a deal of green light and surely any attack by Hanson on combined London Brick-Ibstock interests would run foul of the Commission. Yet as a defensive ploy a bid runs the danger of inviting Hanson to immediately play its hand. Commercial logic might again take a back seat to bid tactics in the building materials sector. Meantime Ibstock at 152p is probably a good 50p below a realistic offer price.

London Shop Property in £10m cash call

London Shop Property Trust is raising almost £10m net by way of a rights issue of £10,167,564 9 per cent (second series) convertible unsecured loan stock 1994-1999 at par.

The proceeds are to be used to take advantage of further property investment opportunities.

The offer will be £2 of new convertible stock for every seven ordinary shares of 25p each. Holders of the existing 6.5 per cent convertible unsecured loan stock will be offered £240 of new convertible for every £700 of 6.5 per cent convertible. Holders of the existing 9 per cent convertible unsecured loan stock 1994-1999 will be offered £134 of new convertible for every £700 of 9 per cent convertible held.

The new convertible stock will be issued for cash at par, payable as to £30 per cent by 3 pm on Thursday November 10, and as to the remainder by March 7 1984. The conversion rate is 67 ordinary shares per £100 nominal of new convertible. Based on the issue price of par, this is equivalent to an effective conversion price of approximately 149½p per share.

The first conversion period for the new stock will be April 1 to April 21 1987. With effect from the end of the conversion period in 1986, applicable to the 9 per cent convertible stock, the new stock will be identical to, and form a single series with, the 9 per cent convertible stock.

Dividends announced
Page 24

P & E Machinery

The petition to wind up P & E Garden Machinery was dismissed by consent in the High Court on Monday.

Growth at Harrisons and Crosfield—profit above £21m midway

IN THE first half of 1983 Harrisons & Crosfield has made pre-tax profits of £21.26m, including the contribution from its 30.3 per cent holding in Harrisons Malaysian Plantations. The directors are expecting a satisfactory outcome for the year as a whole, and are raising the interim dividend from 7.5p to 8p net per share.

Profit for the corresponding half year to June 30 1982 amounted to £16.29m and included results of Harrisons Malaysian Estates and certain other plantation companies as subsidiaries. On September 30 1982 the group disposed of a 50.5 per cent interest in HME and retained a 30.3 per cent holding in the successor company, HMP. It received cash of some £146m.

In plantations the operating profit before interest came to £2.81m (£10.39m), showing the effect of HMP and certain other companies being dealt with as related companies. Against this there was a material benefit to the finance side (where profit was up from £248,000 to £4.61m) arising from income on the proceeds of the sale of part of the plantations interests.

Profits of £5.51m (£3.09m) were achieved by the chemicals and industrial division and the increase was partly attributable to the operating economies made in the previous year, and also to the general improvement in trading activity. The better trading environment seems likely to be maintained in the second half.

For timber and building supplies the increase in profit (from £2.84m to £5.94m) must be measured in the light of the subnormal figure in the first half of 1982 when the severe winter took its toll. The 1983 figures, however, which are being maintained, represent a "material increase" in trading levels and profitability.

Duller conditions prevail in a number of overseas markets, hence the somewhat lower profit (£2.33m against £2.73m) of general trading division. Property disposals came to £199,000 (£1.99m) and related companies' contribution totalled £3.87m (£2.11m), including the share of HMP.

After tax £10.4m (£7.3m), minorities £171,000 (£1.64m) and preference dividend £60,000 (same), the earnings available for the ordinary come out at £10.62m (£7.29m), or 17p (11.7p) per share.

For the year 1982 the group made a profit of £44.47m before tax, and earnings for the ordinary were £27.57m, or 44.3p per share. The dividend total was 31p.

● comment

Although divisional comparisons suggest that trading is somewhat mercurial, there are no great surprises in Harrison and Crosfield's first-half results. With only one exception — general trading—they reflect a broad-based recovery against a backdrop of the part-sale of HME to the Malaysian government, which took the expected bite out of the plantations division. However, this was offset by the useful inflow of investment income from the £146m proceeds, which still have to find a suitable home. Chemicals is starting to feel the benefit of past economies and an improvement in trading activity, while the home-based increase in housing starts no doubt filtered through to the timber and building supplies businesses. Higher commodity prices are pushing up plantation profits, all of which points to an even better second half—and perhaps £52m for the full year. At that level the fully-taxed p/e is around 20 at 712p, down 25p. The shares look cheap, especially as all that spare cash makes a good dividend payout likely.

Firmin & Sons down halfway

A sharp reduction in pre-tax profits from £235,000 to £102,000 is reported by Firmin and Sons for the first half of 1983. The directors anticipate that results for the full year will compare with the £312,000 achieved in 1982.

The net interim dividend has been held at 1.5p after earnings per 25p share were cut from 4.34p to 1.92p.

Turnover of this maker of badges, buttons and military ornaments, fell from £1.36m to £1.04m.

London and Northern tops £4m halfway

WHILE TURNOVER decreased from £107.33m to £80.51m due to disposals at the end of 1982, pre-tax profits of London and Northern Group rose from £3.51m to £4.08m for the first half of 1983.

The profits included a proportionate pre-tax contribution of £232,000 from United Medical Enterprises (UME) for the eight days from its acquisition on June 23 1983. UME earned a further £5.05m, prior to acquisition, in the period.

On prospects, Mr J. H. M. Mackenzie, the chairman, says that profits of the enlarged group for the six months are expected to show an increase over the total profits earned by all constituent companies of the group, including UME, in the first half.

For the whole of 1982, taxable profits totalled £9.81m (£8.63m).

As forecast in June at the time of the rights issue, the net interim dividend is raised to 1.7p (1.5p) on the increased capital. A final at least maintained at 2.5p per share has also been projected.

After tax up from £0.89m to £1.41m—last year's lower charge resulted from capital allowances and tax losses brought forward—and minorities of £327,000 (£286,000), attributable profits were unchanged at £2.34m. Earnings per 25p share rose marginally from 4p to 4.1p.

Mr Mackenzie says that in construction the second half results will reflect the improvement in weather conditions in the UK, enabling the group's contracting and housebuilding operations to catch up on some of the delays caused by the wet spring. New building and civil engineering contracts valued in excess of £25m have recently been awarded to these companies, while overseas operations continue to make an important contribution to results.

On the building products and services side, there has been a marked improvement in the demand for building products while confirmed orders for Weatherseal double glazing have increased by over 50 per cent.

● comment

The market had expected rather better from London & Northern than a 16 per cent increase in pre-tax profits, so the shares slipped 7½p to 70p. Take out UME's first contribution and the profits advance slows to 9.6 per cent, the bulk of which was accounted for by the UK housebuilding division. The share price may also reflect some anxiety about L&N's recent diversification into medical services, for UME is almost certain to lose a Saudi hospital management contract — currently accounting for 15 per cent of the subsidiary's profits—to a local company. Clearly, the group can give no firm guarantees about the security of its other Middle Eastern contracts, although it says a number of new ones will be placed shortly. The statement implies an increase for the year to around £13.5m pre-tax, against £9.81m. However, a recovery in the UK housing market could make that more like £16m. Assuming a maintained final dividend, the prospective yield on the enlarged capital is 8.3 per cent.

BIDS AND DEALS

Taubman now holds over 90% of Sotheby's

BY CHARLES BATCHELOR

MR ALFRED TAUBMAN, the American property multi-millionaire, announced yesterday that he holds more than 90 per cent of the ordinary shares of Sotheby—a level at which he can compulsorily purchase the remaining equity.

At the same time Mr David Ward, the Taubman appointee who has been put in day-to-day charge of Sotheby's, wrote to its staff to reassure them that all the company's directors will remain in office, and to outline the new management structure.

Lazard Brothers, the merchant bank which is advising Taubman UK Investments, said acceptances have been received from the holders of 5.94m shares or 50.5 per cent of tha ordinary equity, taking the total Taubman holding to 10.9m shares or 92.8 per cent of the equity.

Taubman UK has also received acceptances from the holders of 2.5m preference shares or 88.2 per cent of that class of equity—just below its stated target of 90 per cent. It previously held no preference shares.

Both ordinary and preference offers have been extended until further notice. An extraordinary general meeting of shareholders held on Monday approved the deal.

Taubman UK originally announced it would declare its offer unconditional when it gained control of 50 per cent of the ordinary equity.

It reached that level on October 7. The delay in attaining the 90 per cent level resulted from UK institutions waiting until October 18, the original first closing date, before accepting, and technical delays in gaining approval from the holders of American Depositary Receipts, Lazards said.

In his letter to staff, Mr Ward said special task forces would be designated from time to time to study subjects which might develop into new or expanded areas of business, such as insurance or finance. He gave no further details however.

"There are no changes planned in the expert staffs, only in the way in which we organise ourselves," he wrote. "Similarly, we expect to make no changes in the traditional business of Sotheby's, except those that strengthen it and promote its continued development."

The top layer in the new Sotheby's management is the group board of directors, meeting quarterly, alternating on both sides of the Atlantic. An executive committee, meeting eight times a year, will set international operating policy while a co-ordinating committee, meeting six times, will promote international business efforts.

The ultimate Taubman aim is to buy in all the outstanding Sotheby's shares—a process which would take about six months—and absorb it into his private business empire. The Taubman bid is worth 700p per Sotheby share, valuing the entire group at £87.2m.

Evered takes control of Hawkins

Evered, Midlands-based group specialising in non-ferrous strip for the electronics and communications industries, yesterday declared unconditional its £3.8m bid for Hawkins and Tipson, loss making Sussex ropemaker.

Following fresh purchases both in the stock market and outside, Evered and its financial adviser Samuel Montagu revealed yesterday thet they owned 49.4 per cent of Hawkins' shares. With acceptances amounting to a further 1.8 per cent, it thus declared a controlling interest in 51.2 per cent of the ropemaker's shares.

The board of Hawkins and Tipson was understood last night to be preparing a statement to shareholders recommending that they accept the Evered offer.

Evered first launched a bid in August this year at 35p a share. This was raised a week ago to 44p, the present bid level. It claimed it could inject more dynamic management.

Evered is run by Mr Raschid Abdullah and his brother Osman, two Midlands businessmen who aim to expand the group—by acquisition—to be a diversified industrial holding company.

Mr Raschid Abdullah said yesterday that he intanded to visit Hawkins and Tipson within the next few days "to outline plans." He said he would be looking to existing executive management "to assist in tha company's future growth." In the year to tha end of August 1982, Hawkins lost £700,000 before tax. In its recent defence document, it claimed profits to the end of August this year of £69,000.

Two major shareholders in Hawkins have still to accept the Evered offer. They are Equity Capital for Industry (ECI), which holds 10 per cent, and Sun Life, which has a 7 per cent holding. Hawkins shares ended the day unchanged at 44p, while Evered shares jumped 5p to close at 117p.

Maxwell stake in Waddington at 29.9%

By David Dodwell

MR ROBERT MAXWELL'S Pergamon Press group, an associate of the British Printing and Communications Corporation, yesterday revealed it has made fresh purchases of John Waddington shares, lifting the two associates' combined stake to 29.99 per cent.

Tha announcement comes barely a month after the collapse of BPCC's £18m bid for John Waddington, the Leeds-based packaging and games group. It lifts Mr Maxwell's stake to the highest level possible without triggaring a full bid for the company.

Since takeover rules forbid a fresh bid for a company within 12 months of the failure of an initial bid, this brings Mr Maxwell's share buying to an end for the near future.

Mr Maxwell's holding is worth about £5m. He insisted yesterday that he intended to hold on to this stake: "There is no question of anyone buying it," he said.

Since his hard-fought bid collapsed, Mr Maxwell has tried in vain to attract an invitation onto the Waddington board. As a holder of 29.99 per cent of the company's shares, he feels this would be appropriate. His financial adviser, Henry Ansbacher, is understood to be drafting a letter to the Waddington board outlining this view.

A spokesman for John Waddington said yesterday that the company saw no grounds on which Mr Maxwell should be invited to join the board. He conceded that the existence of such a large shareholding in one outside shareholder'a hands made tha company vulnerable: "However, we are no more vulnerable now that we were on the day before the bid from BPCC collapsed," he said.

● A consortium of investors has injected £100,000 of new capital into Surrey Property Mail. The consortium has been put together by Hill Samuel and Co and includes Mr Robert Maxwell as the major individual subscriber.

Surrey Property Mail publishes the Surrey Mail and its sister papers, the Cranleigh Mail and the Haslemere Mail; together they are the largest local free distribution group of newspapers in South West Surrey, with a circulation of some 50,000 copies. The new capital will support further further expansion of the papers.

Courtaulds joint venture in France

British Cellophane, the packaging subsidiary of Courtaulds, has agreed to form a 75/25 per cent joint venture with Rhone-Poulenc Films to take over the French company's polypropylene packaging film activities.

RPF is part of the Rhone-Poulenc SA group and operations are at Mantes near Paris. The agreement is planned to become effective from January 1, 1984.

The programme follows British Cellophane's recently announced expansion plans at Swindon, Wiltshire, which will raise polypropylene packaging film capacity from 11,000 tonnes to 25,000 tonnes a year.

Under the agreement, Courtaulds will acquire Rhone-Poulenc's 25 per cent stake in British Cellophane.

The total transaction, including the already announced £22m programme at Swindon, will increase Courtaulds' investment in British Cellophane operations by over £30m.

The agreement also provides for a 50/50 per cent joint venture with Rhone-Poulenc in France to market coextruded polypropylene and cellulose film products of RPF.

Hepworth/Steetley

An extension of time has been allowed for the Monopolies and Mergers Commission to report on the proposed merger between Hepworth Ceramic Holdings and Steetley. Following representations from the Commission, the Secretary of State for Trade and Industry, has agreed that the reporting period for the reference should be extended to February 9 1984.

Caparo Industries hives off property interests

BY DAVID DODWELL

Caparo Industries, the acquisition-minded steel stockholding and engineering group headed by Mr Swraj Paul, yesterday completed the sale of its 75 per cent stake in Caparo Properties.

Shareholders yesterday approved an arrangement in which Caparo Industries offered its shares to existing shareholders at a price of 32p a share. A total of 573 shareholders applied for shares, but Mr Paul will retain control of Caparo Properties through a 57 per cent holding by his private holding company, Caparo Group.

The sale will raise just over £2m for Caparo Industries. The demerger arises from a long term plan to hive off Caparo's property interests which began to take shape in February with the purchase, for £2.5m, of the loss-making E. Austin Group.

Since acquiring E Austin, Mr Paul has transferred Caparo's property interests—estimated as worth £3.6m—into Austin, and backed Austin's fork-lift truck business into Caparo Industries. The reorganisation has been completed with tha change of Austin's name to Caparo Property, and the sale of the Caparo Industry stake.

Following the demerger, Caparo Group will be joined by two other substantial shareholders in Caparo Properties—M & G with just over 5 per cent, and Temple Bar Investments with 3.5 per cent.

Mr Paul said yesterday: "We had far too much property in Caparo Industries — and on the other hand wanted a quoted property company. Industrial companies are judged quite differently from property companies — people's expectations are quite different."

More specifically, he is looking for a 20 per cent return on capital from his industrial businesses — and this aim was being frustrated because the lower returns typical of property investments were dragging down the averages of the overall group.

Caparo Properties has begun life in the same acquisitive style of its parents. Since it was created in September, it has built up a 14.22 per cent holding in Dares Estates. With an asset value of 40p a shara, its share price ended unchanged yesterday at 33p.

Peek stifles bid rumours

Peek Holdings, Liverpool-based grain and animal foods group, moved yesterday to defuse market rumours that it might receive a takeover approach.

The board said it knew of no reason for the recent activity in the shares and no bid approach had been received. Its shares fell 5p to 35p in response to this statement.

Peek recently announced an operating loss of £55,000 in the six months ended June 30 1983 against a profit of £75,000 on turnover of £2.59m (£2.38m).

Norcros edges towards its UBM target

As the bitter battle for control of UBM Group, one of the largest builders' merchants, entered its final phase, Norcros was able to buy a further tranche of some 450,000 UBM shares yesterday to add to the block of 292,000 shares purchased on Monday.

That brings its shareholding up to 35.5 per cent which, with acceptances received and not withdrawn, means that Norcros, bidding £75m for UBM, can probably speak for between 41 and 42 per cent of its target.

A third party entered the market for UBM shares yesterday morning, briefly driving the price up to 126p against the Norcros cash offer of 125p per share, but by the afternoon the bidder was re-established es "est buyer."

It has, however, so far failed to move either Equity Capital for Industry or the funds controlled by Morgan Grenfell which command an aggregate stake of 20 per cent in UBM and are not expected to make a final decision until today.

UBM has used newspaper comment to highlight its case for independence but, following an approach from the Takeover Panel, has dissociated itself from press forecasts. No such reprints can be used in takeover battles, the Panel stressed, unless the principals are prepared to corroborate or substantiate them.

Gerni Sales

Gerni Sales and Service of Martlesham, Suffolk, has asked us to point out that it is the wholly owned British subsidiary of Maskinfabrikken Gerni of Denmark and the sole distributor of Gerni hot and cold water pressure cleaning machinery in the UK.

The marketing of the Gerni range is unaffected by the arrangements reported in Saturday's Financial Times concerning the proposed purchase of Comercio, the UK agent for Danclean machinery, by Arrow Chemical.

Garnar Booth

Acceptances totalling 1.29m (70 per cent) have been received in respect of the 1.84m shares offered by Garnar Booth in a recent one for four rights issue.

The shares not taken up have been sold and the proceeds, approximately 0.6p per share, will be distributed pro-rata among the provisional allottees originally entitled.

Harrisons & Crosfield

INTERIM STATEMENT

(UNAUDITED)

	1983 Six Months to 30th June £'000	1982 Six Months to 30th June £'000	1982 Year to 31st December £'000
Group profit before interest and taxation	25,278	23,399	59,093
Group profit before taxation	21,255	16,289	44,467
Group profit after taxation	10,855	8,989	29,945
Earnings for Ordinary shareholders	10,624	7,292	27,573
Earnings per Ordinary share	17.0p	11.7p	44.3p

Results and Prospects

The Plantation Division's profits for the half year are affected by Harrisons Malaysian Plantations Berhad and certain other companies now being dealt with as related companies; against this there is a material benefit to Finance arising from income on the proceeds of the sale in the second half of last year of part of the Group's plantation interests. Crops suffered from the effect of a prolonged drought and prices were depressed for most commodities in the early months. Crops are now higher, markets have since improved considerably and current prices augur well for better results in the second half of the year.

The higher profits achieved by the Chemical and Industrial Division are attributable partly to the operating economies made in the previous year and also to the general improvement in trading activity. This better trading environment seems likely to be maintained in the second half of the year.

The performance of Timber and Building Supplies Division must be measured against a subnormal figure in the first half of 1982, when profits suffered from the severe winter of 1981/82. The 1983 figures, however, which are being maintained, represent a material increase in trading levels and profitability.

Duller conditions prevail in a number of overseas markets, hence the somewhat lower figures of General Trading Division, but for the Group overall, we expect a satisfactory outcome for the year as a whole.

Interim Dividend 8p per Ordinary share

Principal Activities	1983 Six months to 30th June £'000	1982 Six months to 30th June £'000	1982 Year to 31st December £'000
Plantations	2,812	10,391	21,405
Chemicals and Industrial	5,513	3,085	5,379
Timber and Building Supplies	5,944	2,839	7,844
General Trading	2,326	2,734	5,845
Finance	4,612	248	3,926
Property disposals	199	1,993	10,068
Operating profit	21,406	21,290	54,467
Related companies	3,872	2,109	4,626
Group profit before interest and taxation	25,278	23,399	59,093

NOTES

1. Included in the comparative figures for the six months to 30th June 1982 are the results of Harrisons Malaysian Estates PLC, ("HME") and certain other plantation companies as subsidiaries. Under the Scheme of Arrangement referred to in the Directors' Report for 1982 the Group disposed of a 50.5% interest in HME on 30th September 1982 retaining meantime a 30.3% interest in HME's successor company, Harrisons Malaysian Plantations Berhad ("HMPB") and received cash of approximately £146 million. In the six months to 30th June 1983 the Group's share of the results of HMPB is included with related companies.
2. The comparative figures for the year ended 31st December 1982 are an extract from the full accounts for that year which have been filed with the Registrar of Companies and on which the auditors gave an unqualified opinion.

HARRISONS & CROSFIELD PLC, 1-4 GREAT TOWER STREET, LONDON EC3R 5AB.

Brooke Bond Group

Year to 30th June 1983

Highlights of the Year

* Operating profit	+	12%
* UK operating profit	+	31%
* Profit before tax	+	37%
* Earnings per share	+	49%
* Dividend	+	5%

	1983 £m	1982 £m
Operating profit	63·6	56·8
Profit before tax	48·2	35·3
Earnings	24·2	16·2

Extract from the Chairman's Statement to be posted to shareholders on 7th November 1983:–

"The major highlight is clearly the improvement in our financial performance. This is not in my opinion an unsustainable improvement and reflects the point that 1983 marked a watershed in the group's fortunes. The process of rationalisation has now nearly been completed. We have identified our core businesses – branded grocery products, timber products and plantations for each of which we have developed a clear strategy and development plan. If interest rates reduce and the UK in particular continues to emerge from the long period of recession I can foresee continued improvement in the group's performance."

The directors recommend a final dividend of 2.85p per share. This, together with the interim dividend of 1.25p per share declared in March will make a total net dividend of 4.1p per share.
This is an increase of 5% on the rate paid in the previous year and is payable on the same share capital.

If you wish to have a copy of the 1983 Annual Report, please complete the coupon and return to:
The Secretary,
Brooke Bond Group plc,
Thames House, Queen Street Place,
London EC4R 1DH.

Name...
Address..
....
....

Castle (GB) better than expected at £1.19m

PRE-TAX profits of Castle (GB), kitchen furniture and bathroom fittings distributor, rose from £902,000 to £1.19m for the year to July 31 1983. This compares with the forecast of not less than £1.1m made when the company joined the Unlisted Securities market last May.

The directors report that Castle Kitchens made a profit of £1.33m against a projected £1.25m, while the expected loss of £150,000 for Castle Bathrooms was in the event reduced to £133,000.

Group sales improved from £10.16m to £13.91m. After tax of £513,000 (£295,000) the net balance was £679,000 (£607,000) for earnings of 6.26p (5.78p) per 25p share. As predicted, the dividend is 0.6p net.

Retained profits came through at £566,000 (£538,000) after the cost of distributions £113,000 (£69,000).

The directors say that the initial reaction from customers at new product previews has been extremely favourable and prospects for 1984 are "most encouraging."

Imtec placing price pitched at 91p

BY DOMINIC LAWSON

DESPITE THE sustained sluggishness now being experienced in the equity market, the rush of new companies on to the Unlisted Securities Market seems to be unaffected. The latest to make the move from private to public is Imtec Group, in a placing of over 24 per cent of its equity by brokers EB Savory Milln, worth almost £2.2m.

A total of 2,416,274 shares are being placed at 91p each, a price which is thought to be well below that originally planned, before share prices generally started to fall back.

Of those shares 1.74m are new shares being subscribed, and the remainder are being sold by the directors and other shareholders. The majority of shares will continue to be held by directors and their families. In particular, the chairman, Mr Gerald Frankel, and his family will hold over 42 per cent of the post placing share capital. The market capitalisation of Imtec at the 91p placing price is £9.1m.

The Imtec Group's principal activity is the design, assembly and supply of micrographic products, printers, and cameras, which enable the user to commit information to microfilm for storage and later retrieve it for inspection, reproduction and further reprocessing.

Imtec is diversifying into computer based products which store information in digital form. It has designed and supplied a computer aided retrieval system, and also markets a low-cost computer aided design system.

Imtec designs, produces and markets its products for the design and drawing office. It does not compete actively in the mass market of office copiers.

The group was formed in 1978. In the five years to March 31 1983 turnover and profits have grown from £3.3m to £9.4m, and from £325,000 to £1.1m respectively. In 1982, pre-tax profits fell from £849,000 to £321,000, as Imtec incurred costs in expanding its U.S. business.

At the placing price Imtec is on a fully taxed historic multiple of 20, a figure which comes down to 11.6 on actual tax payable. Both figures include an additional £160,000 of profits, representing the interest savings which would have occurred had the issue already taken place. The gross dividend yield at the placing price would be 3.3 per cent on the indicated dividend.

No profits forecast has been made, and no audit has been done on the interim period. However Mr Frankel said "interim figures are much better than we've ever had before."

● comment

The market does not look hungry for new shares at the moment, so Imtec Group's sponsors have engaged in some last minute share price cutting, bringing down the actual multiple of Imtec's shares to around the FT Industrial average. That does not seem too demanding for a company with a reasonable profits record, operating in a growth area of the economy. Even so it would have been good to see a profits forecast from a company into the second half of its year. The reasons given—that sales are highly seasonal, and that the group is sensitive to exchange rate fluctuations—do not encourage the risk-avoiding investor. Nevertheless it would be very wrong to view Imtec as a high risk stock. It is in a very well developed—some would say fuddy duddy—area of the information storage business, and it has shown inclination to step on the toes of the majors in the office equipment industry. If anything, the criticism would be that this is a rather mature company to be joining the USM.

Hunting Petroleum £0.36m lower

PRE-TAX profits of Hunting Petroleum Services fell from £3.17m to £2.81m in the first six months of 1983. Turnover of this company, which was incorporated to acquire various oil and gas related interests of Hunting Associated Industries, Hunting Gibson and Hunting Holdings, rose from £87.6m to £115.13m.

Group trading profits were lower at £2.47m compared with £3.02m, but associated companies' profits improved from £144,000 to £334,000. After tax of £1.32m (£1.36m) and minorities of £481,000 (£200,000), attributable profits were down from £1.6m to £1.01m.

The interim dividend is maintained at 2.25p net—last year's total was 8p from pre-tax profits of £7.14m. Earnings per 25p share fell from 13.34p to 6.89p basic, and from 10.95p to 6.46p, fully diluted.

The directors say the results of Hunting Oilfield Services have been adversely affected by both the downturn in worldwide drilling activity and the costs of developing drilling and associated services.

There are, however, signs emerging of a slow but steady recovery in the drilling business, although it is likely to be 1984 before the benefit is felt. The UK workshop services have maintained their level

Profits from the U.S. exploration activity of Mayflower Exploration are, as anticipated, below those of last year. The profits from Hunting Oil and Gas include an excellent contribution by Gibson Petroleum in Canada from both trading operations, and also from the resumption of operations by the Wascana Pipeline.

The directors anticipate that group profit overall for the second half will continue at a similar level to the first six months.

Whittington Intl. recovers to £109,000

Continued improvement in profitability and the quality of investment was shown by Whittington International Holdings for the first half of 1983. Profits, before tax, recovered to £109,000 against £3,000 in the comparable period.

Pre-tax profits were struck after interest payments of £67,000 (credit £11,000) and last time included a profit of £5,000 on the sale of investments.

Earnings per 5p share came to 0.31p (0.02p and 0.07p fully diluted).

The company has a strong financial base from which to continue development in the UK and the U.S. The directors expect to make further commitments in both countries in the next six months.

Gross revenue expanded from £215,000 to £254,000.

The major American purchase of Parsippany Plaza, New Jersey, has proved very satisfactory. In the UK a shopping centre purchased in Belfast in November 1982 has benefitted from a favourable rent review. Its rental yield on cost has risen to almost 15 per cent.

Brook Street cuts midway loss

A FURTHER reduction in pre-tax losses from £683,073 to £130,634 was achieved by Brook Street Bureau in the six months to June 30 1983, but there is still no interim dividend.

The directors say that although the current performance of this clerical and administrative staff agency is encouraging it would be premature to restore the interim dividend at this stage.

In 1982 the company reduced its full year deficit to £806,740 against £1.53m with a cut in second half losses from £636,287 to £173,667, and paid a nominal 0.1p (same) dividend.

The loss in the opening half of the current year, say the directors, arose from costs of reorganising overseas subsidiaries. This is virtually complete, they add, and probably the overseas operations as well as the UK will not be in loss in the second half. UK operations broke even in the first half.

They add that profitability throughout the group continued to improve during the third quarter, and if it is maintained they foresee a modest profit for the year as a whole.

The loss per 10p share for the first six months emerged at 1.27p against 6.13p after tax of £317 (£1,000). Turnover for the period was £6.95m (£7.28m).

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UK COMPANY NEWS

Further pension plan from L & G

Legal and General Group, the largest pensions company in the UK, is expanding its product range by marketing a new Money Purchase pension plan to go alongside its series of final salary schemes.

This new plan is primarily aimed at the small, recently formed company, where the management wishes to provide pension and life assurance benefits for its staff, but at the early stage of development cannot meet the cost liability of a final salary scheme.

This scheme would provide benefits on top of those given by the State earnings-related scheme, in particular it would provide the lump sum death in service payments and retirement payments not available under the State scheme.

Employers have complete flexibility over the contribution payments. The plan operates on a with-profit system with the contributions being accumulated on a three-tier yield basis. There is a guaranteed minimum yield of 4 per cent per annum enhanced by reversionary and a terminal bonus payments. The current bonus rates give an accumulation yield of 12.75 per cent.

It is intended to extend the plan to allow investment in unit-linked funds.

The plan avoids the early leaver problem, whereby an employee changing jobs has his pension rights devalued through inflation. Under this plan the preserved benefits of the fully-paid up fund continue to accumulate bonuses. If preservation does apply, the employee has his contributions returned with attributable interest and bonuses.

Edith edges up

After-tax revenue of Edith, an investment trust, edged ahead from an adjusted £1.12m to £1.16m for the half year to September 30 1983. The net interim dividend is unchanged at 0.8p per 25p share. Last year a total of 2.3p was paid from £2.32m revenue.

Unlisted investments in nine companies have been made during the six months, amounting to £1.18m.

In the period, £1.46m has been credited to investment reserve in respect of net gains realised on disposals of investments.

Paterson Zochonis profit fall less than expected

THE FALL in pre-tax profits from £29.83m to £26.87m reported by Paterson Zochonis for the year to May 31, 1983 was not as sharp as foreshadowed at midterm. And the directors say that results for the first half of the current 12 months are likely to be higher than those for the corresponding period.

At halfway, when a decline from £13.12m to £12.95m was shown, the directors warned that the second half outcome was expected to show a small reduction on that of the first six months. In the event this result turned in at £13.93m compared with £16.71m.

The directors of this West African merchant and manufacturer now explain that the general downturn in Nigeria was less acute in its effect on group operations than had been envisaged and the related losses to Cussons in the UK, although severe, were brought under control more readily than had been expected.

Turnover for the year under review fell from £310.97m to £271.38m and operating profits declined from £25.88m to £20.28m. The taxable result included an exchange profit of £314,000 (£1.17m loss) and a £6.28m (£5.11m) contribution from associates.

After tax of £11.18m (£13.6m) the net balance came through at £15.7m (£16.23m) with earnings per 10p share at 29.62p (30.86p). The final dividend is 3.42p for a 4.75p (4.5p) net total.

This will cost £2.25m (£2.14m) which, after minority profits of £870,000 (£821,000) and preference payments of £770,000 (same), leaves the amount retained at £11.8m (£12.51m).

A currency translation surplus of £1.12m (£1.82m) and goodwill acquired during the year and losses arising on changes in group interests in subsidiaries of £77,000 (gains £82,000) have been dealt with through reserves.

The current cost profit attributable to shareholders, after tax, was £6.6m (£8.5m) after taking into account additional depreciation of £2.9m (£2.2m), cost of sales and monetary working capital adjustments of £4.9m (£3.5m) and after a favourable gearing adjustment of £0.5m (£0.4m).

The directors say that despite the difficult economic situation in Nigeria the group and its associates, as a policy decision greatly influenced by the Nigerian government's call for co-operation from manufacturers of essential goods, has maintained a significant level of business in all industrial operations. As a result, the need to finance adequate stock levels and the lengthy transfer delays from Nigeria have substantially increased the level of group borrowings. Bank overdrafts at May 31 stood at £82.1m compared with £41.36m a year earlier.

In the UK Cussons group was badly hit by the loss of its export business to Nigeria and required an extensive restructuring of the manufacturing operations. This work has now been substantially completed and the costs were largely provided during the year.

The Australian subsidiary performed well, they report, and again achieved significant growth in turnover in sterling terms, notwithstanding the local devaluation of 10 per cent, and profits increased further. Elsewhere Greece, despite devaluation, and the Interparco group each increased turnover substantially though profits were at the same levels as last year. Kenya results, although satisfactory, were affected by a lack of local supplies.

In the current year the Nigerian import and foreign exchange restrictions are expected to continue in force but so far, thanks to the priority extended by government to the import of raw materials, essential supplies to the manufacturing operations have been maintained.

Unless there is a further deterioration in the economic situation of the country these units, augmented by the new detergent plant due to be commissioned in the next few weeks, should do well.

Elsewhere, although the loss of its export business to Nigeria will take some time to make good, Cussons' operations in the UK should have a more settled year after last year's upheavals and other subsidiaries generally should make reasonable progress.

Group results remain largely dependent on the efficient operation of the manufacturing industries in Nigeria. This requires the maintenance of adequate supplies to those units which, in turn, is dependent upon the ability of Nigeria to maintain remittances towards settlement of its import debts so as to enable new supplies to be financed. Thus, it is impossible to look into the future without making over-riding reservations in respect of the factors affecting the Nigerian economy generally, including the possibility of currency realignments.

See Lex

Municipal Properties

An increase in attributable profits from £67,000 to £73,000 has been shown by Municipal Properties for the first half of 1983.

A surplus of £175,000 (£13,000) on the sales of properties and investments by the holding company has been credited to reserves.

Group turnover expanded from £179,000 to £214,000.

The attributable surplus included gross profit of £56,000 (£40,000) on property sales by a subsidiary, and was struck after charges of £80,000 (same), including tax.

Walter Lawrence rises to £791,000

FIRST-HALF 1983 pre-tax profits of Walter Lawrence advanced from £712,000 to £791,000 and the board is confident that the group is on course to achieve its budgeted result for the year. For the whole of 1982, the taxable figure reached £2.24m, against a previous £1.84m.

Mid-term earnings per 25p share rose from 13p to 14.3p and the net interim dividend is being stepped up by 0.25p to 3p—last year's total was 6.3p.

Although the group's construction division improved its overall market share, the diminution in margins, pertaining throughout the industry, led to a reduction in its contribution to group profits.

However, the improvement in the manufacturing division's activities continued and there was an overall profit for the period, as against a loss in the first six months of 1982.

The group's housebuilding activities have continued their upward course in terms of both production and sales, and turnover and profits increased despite planning delays.

Tax for the half year took £64,000 (£59,000) leaving net profits up from £653,000 to £727,000. Because of the anticipated reliefs available to the group, together with tax losses brought forward from earlier years, no provision for mainstream Corporation tax is considered necessary. The dividend absorbs £150,000 (£138,000).

No provision has been made in the interim figures for any allocation that may be made under the Employee Profit Sharing Scheme.

J. Austin loss after £0.7m provisions

SUBSTANTIAL PROVISIONS for exceptional items turned an already reduced full year trading profit into a pre-tax deficit at James Austin Steel Holdings.

The company, which was acquired by Trumanns Steel Group in June, incurred a taxable loss of £0.52m for the 12 months to March 31 1983 compared with a £0.2m surplus. At the trading level profits were down from £0.32m to £0.12m and the pre-tax result was struck after adding interest received of £48,000 (£77,000) and deducting exceptional items of £687,000.

Despite the loss the directors are recommending a final dividend of 1.2p (same when adjusted) which effectively makes an unchanged 1.87p total for the year.

A breakdown of the exceptional items shows: stock write-down £375,000 (nil); reorganisation costs £120,000 (nil); redundancy and rationalisation costs £192,000 (£205,000).

Turnover for the year was down at £13.58m against £15.38m.

Mr P. E. Rickitt, who took over as chairman following the completion of the Trumans bid, says that the year not only saw a continuance of the recession, but also increased pressure on margins as a result of price cutting by some major stockholders. Similarly, he says, discriminatory pricing policies by steel producers have led to a collapse of stockholders' pricing structures.

However, he says, this was not solely responsible for the fall in trading profit. He believes that in a number of the company's activities better judgment and firmer control could have substantially improved the situation.

Looking to the future the chairman says that the UK customer base is increasing, overhead reductions have been made in many areas, and although demand remains poor the steps taken since May have provided a far firmer and more conservatively operated base for expansion.

He says that the company is now trading profitably and expects further benefits from the rationalisation programme.

Tax for the year took £6,109 (£1,887) leaving a net loss of £523,562 (profit £187,994). Trumans has waived £126,830 in respect of dividends, and after payments to ordinary shareholders of £135,000 (same) the attributable loss emerged at £606,882 (£22,156).

Agricultural Holdings in profit

Having undertaken considerable reorganisation to eliminate unprofitable lines, reduce costs and improve margins, AGRICULTURAL HOLDINGS is able to announce a return to profits for the year ended June 30, 1983. It has made nearly £1.06m from turnover of £25.8m, against a £730,000 loss on turnover of £30.6m in the previous year.

For the first quarter of the current year profits are in line with the expectations for 1983-1984, and the company is resuming dividend payments with an interim of 10p per £1 share, payable on October 24.

The group's interests include seed growing and distribution, electronic food sorting equipment, scientific instruments, motor car accessories, and the marketing of health food supplements.

First half downturn at More O'Ferrall

AN INCREASE of 15 per cent in trading profits at More O'Ferrall was offset by a reduced contribution from associates for the first half of 1983. Pre-tax profits slipped from £1.05m to £1.01m. Mr E. R. More O'Ferrall, chairman, says that the level of first half profits will be at least maintained for the rest of the year.

In the last full year pre-tax profits came to £2.02m.

At the trading level first half profits rose from £641,000 to £741,000. The contribution from associates, however, fell from £412,000 to £271,000.

The net interim dividend has been lifted from 0.88p to 0.6p with earnings per 10p share down from the equivalent of 2.8p to 2.7p. In the last full year a total of 2.96p was paid.

Turnover of this outdoor advertiser increased from £7.29m to £8.69m. Mr O'Ferrall says that trading within the group's markets remains "short term."

Trading conditions in the UK remained difficult through the first half. In Ireland the group held its position in a difficult economy, and in France and Belgium performance was improved from the previous year.

The group's new airports division which became fully operative last January, is making good progress and has been incorporated into the subsidiary, More O'Ferrall International Advertising.

Tax amounted to £437,000 (£464,000). After extraordinary debits of £3,000 (£9,000) and preference payments of £14,000 (same) the attributable balance emerged at £558,000 against £566,000.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: British Homes Stores, City of Oxford Investment Trust, Duport, John Folkes Hefo, Hawker Siddeley, Jessel Toynbee and Gillett, Marshall's Universal, Rock, Securities Trust of Scotland, Smith St Aubyn, Sun Life Assurance Society, TR North American Investment Trust, Telephone Rentals.

Finals: Eleco, Grosvenor, R. P. Martin, Medminster, Quest Automation, TSW—Television South West.

FUTURE DATES

Interims:

Avana	Oct 26
Aero Needles	Oct 28
Clayton, Son	Oct 28
De Vere Hotels and Restaurants	Oct 27
Ellis and Goldstein	Nov 2
HAT	Nov 15
Henderson Group	Oct 28
Markheath Securities	Oct 20
Reed Executive	Oct 24
Waddington (John)	Nov 7
Weeks Associates	Oct 27
Finals:	
Fairview Estates	Oct 25
Simpson (S.)	Oct 27
Stocklake	Oct 27
Tyzack (W.) Sons and Turner	Nov 4

UK COMPANY NEWS

Humberside forecasts 'major turnround'

THE postponement of several substantial orders contributed to Humberside Electronic Controls falling into loss in the year to May 31 1983, but Mr Peter McMaster, the chairman, forecasts that a major turnround should occur in the rest of the year.

Year-end losses were £156,471 against profits of £237,996 for the 17 months to May 31 1982. No dividend is being paid against a nominal 0.1p last time.

Turnover of the group — its shares are traded on the Unlisted Securities Market — fell from £666,662 to £634,714. There was a nil contribution from sales machines against £235,000. Research and development costs totalled £213,694 (£102,600). There was again no tax. In the previous 17 months, there were pre-acquisition profits of £97,662. Loss per 10p share was 1.21p (earnings 1.09p).

Discussions to reinstate some of the postponed orders have started. Sales of company machines have been slow, say the directors, but they believe that three machines will be sold within the aerospace industry at satisfactory prices during the year.

The current level of inquiry for rebuilding and retrofitting, particularly on the larger machine tools, is encouraging, and providing current progress is maintained, Mr McMaster is confident of a "major improvement" in results for the current year.

Davies & Newman midway loss increases to £2.7m

AN INCREASE in aircraft hire charges and reduced contribution from the associates have led to a £1m rise in the halfway loss of Davies & Newman Holdings, the shipbroker, ships' agent and Dan-Air airline operator.

The directors find it difficult to forecast the year's results, but say the summer season has been active and should help to compensate for the quieter winter seasons being experienced. The 1982 profit before tax came to £3.69m.

In the half year to June 30 1983 the loss was £2.76m, against £1.75m, but the interim dividend is being effectively raised from 2.67p to 3p. Little change was shown in turnover, operating profit and depreciation, which amounted respectively to £78.72m (£78.24m), £3.47m (£3.49m) and £2.22m (£2.4m). However, aircraft hire charges were up to £3.6m (£2.5m), interest received was down to £243,000 (£326,000), and associated companies profit to £13,000 (£251,000). Interest paid was £245,000 less at £666,000.

After a tax credit of £1.44m (£908,000) and net loss for the period comes out at £1.33m (£838,000), equal to 23.35p (14.77p) per share.

In the shipbroking company tanker chartering and ships agency continued to perform satisfactorily, but dry cargo chartering and the sale and purchase business remained dull.

Davies and Newman Travel has increased its sales and the associate, Dan-Smedvig (oil drilling services) has continued to show satisfactory results.

In Dan-Air, leasing charges for aircraft covering a longer period than previously have added to the loss normally sustained in the first half.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-ponding div.	Total for year	Total last year
James Austin Steel	1.2	Dec 9	1.2*	1.87*	1.87*
Brook Street Bureau int	Nil	—	Nil	—	0.1
Brooke Bond	2.85	—	2.66	4.1	3.91
Castle (GB)‡	0.6	Jan 6	—	0.6	—
Davies & Newman ...int	3	Feb 1	2.67*	—	3.89*
Edith ...int	0.8	—	0.8	—	2.3
Firmin & Sons ...int	1.5	Nov 18	1.5	—	4
Harrisons & Crosfield int	8	Dec 9	7.5	—	31
Humberside Elect‡	Nil	—	0.1§	Nil	0.1§
Hunting Petroleum int	2.25	Nov 23	2.25	—	8
Ibstock Johnsen ...int	1.75	Dec 9	1.5	—	4.5
Walter Lawrence ...int	3	Jan 4	2.75	—	9.3
London & Northern† int	1.7	Dec 30	1.5	—	4
More O'Ferrall ...int	0.9	Jan 3	0.88	—	2.96
Paterson Zochonis	3.42	Dec 6	3.17	4.75	4.5
Ramus Holdings‡	3.5	Nov 28	3.5	5	5

Dividends shown prices per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § For 17 months to May 31 1982.

● comment

In the wake of the exuberance surrounding Davies & Newman's £3.7m profit last year, some outside estimates for this year's outturn ranged as high as £7m. Yesterday's figures for the seasonally less significant interim period—with an extra £1m of losses — brought an already twitchy market down with a bump. The shares slid at one point all the way from 170p to 137p. The increased aircraft hire charges take much of the blame, and in large part this reflects the taking on of more aircraft in the previous period. The company points out that the fleet is currently fully booked for the winter tour season, but tour operators have been known to change their minds, so all chickens are remaining resolutely uncounted. Not only in Dan-Air, but across the board, from oil rig production to shipbroking, D & N is operating on thin margins in cyclical businesses. However, although capital gearing is coming down to close to the 50 per cent mark, the company is not yet in the mood for further diversification to add some quality to earnings. The maintained interim is on a capital increased by an earlier one-for-eight scrip. But it is too soon to be talking of a 10 per cent prospective yield on a share price of 142p. It is not for nothing that Davies & Newman's dividend is heavily biased in favour of the final payout.

Ramus sales near £20m and profits pass £0.6m

A POLICY of geographical expansion and an aggressive sales and marketing stance have enabled Ramus Holdings to push up its sales from £13.63m to £19.22m and its profits from £325,000 to £621,000 in the year ended July 4 1983. The profit nearly matches the 1980-81 level.

The final dividend is 3.5p for a same-again total of 5p net. Waivers have been received from members representing some 70 per cent of the capital, and this will reduce the cost of the final to £46,566. Ramus is a member of the USM.

Mr Ernest Ramus, chairman, reports that sales of ceramic tiles and accessories have risen substantially, based on branded and Sumara own-brand products. And with the introduction of new ranges, both furniture and vinyl flooring have performed well. The new depots at Leeds and Exeter made major contributions, and this month a new 55,000 sq ft distribution and central warehousing depot has been opened at Redditch.

"We are creating a very strong base from which I am confident future developments and profits will stem," says Mr Ramus. In the first quarter of the current year turnover has risen yet again.

Yearlings same

The interest rate for this week's issue of local authority bonds is 9¾ per cent, unchanged from last week and compares with 9¾ per cent a year ago. The bonds are issued at par and are redeemable on October 24 1984.

A full list of issues will be published in tomorrow's edition.

MINING NEWS

MIM Holdings makes a better start to 1983-84

BY KENNETH MARSTON, MINING EDITOR

NET EARNINGS of A$9.99m (£6.1m) for the first quarter of the year to June 30 are reported by Australia's base metal-producing MIM Holdings. They compare with only A$2.3m in the same period of last year and reflect better prices for copper, silver and zinc coupled with increased coal sales.

However, the latest earnings compare less favourably with the net return of A$24.6m for the closing quarter of the year to last June when copper prices were climbing well and the group enjoyed substantial benefits from investment allowances, reports Lachlan Drummond from Sydney.

Adverse factors in the latest quarter included reduced sales of silver compared with a year ago, weaker lead prices and lower prices and sales obtained by the 40 per cent-owned Agnew mine in Western Australia.

MIM's costs have increased by 29 per cent to A$178m in the latest quarter. This increase reflects interest charges on the heavy borrowings made in boosting coal operations as well as the high start-up operating expenses incurred on the group's expanded coal output. The latest quarter also suffered a tax charge of A$4.1m compared with a credit of A$1m a year ago.

Copper prices averaged about A$1,750 per tonne in the past quarter but have since declined to some A$1,600 which does not augur well for the current quarter's results. Silver and nickel prices have also fallen, but lead and zinc have improved.

The firming of the zinc price is of particular importance to MIM which last year acquired a half-share in Metallgesellschaft's West German electrolytic zinc plant and a one-third share in the latter's zinc products plant.

MIM has also increased its lead production capacity. Last year agreement was reached for the output of crude lead, surplus to the requirements of the UK refinery, to be toll-smelted in Japan for sale in Asia. First sales from this source were achieved in the latest quarter.

The latest results were considered to be much in line with expectations and in London yesterday shares of MIM eased 4p to 220p in a generally dull market.

Recovery at Western Areas

THE FUTURE of the big but low-grade Western Areas gold mine in South Africa's Johannesburg Consolidated Investment ("Johnnies") group now seems assured, although it will be some time yet before the mine can afford to dispose of the safety net of hedging the bulk of its gold production.

Mr George Nisbet, chairman of Western Areas, confirmed yesterday that work on the No 3 sub-vertical shaft is proceeding as planned, with first production from the area expected sometime in 1985.

It will be 1986 before the whole area is in full production, however, as this depends on the deepening of the No 2 sub-vertical, which will take a little longer.

By that time, Western Areas hopes to be in a position to review the policy of selling the bulk of production forward.

This policy has served the mine much better in the latest quarter to the end of September than it did in the previous three months, when Western Areas had to settle for a gold price of $396 per ounce, well below that achieved by most of the other South African mines.

The latest price, of US$418 per ounce or R14,877 per kilogramme, is in line with that realised by most of the other mines, and has led to a sharp recovery in profits.

Net profits for the period were R12.9m (£7.6m), a rise of almost a quarter on the preceeding three months. The higher price was sufficient to offset a fall in mill throughput and thus lower gold output, leading to higher unit costs.

The mine's tax charge was also higher, as capital spending was well below the planned level at R5.17m. Mr Nisbet said there would be an increase in the final quarter of this year, to bring the total close to the forecast full-year figure of R30m.

Randfontein Estates, the other gold producer in the Johnnies stable, also undershot on capital spending in the quarter. This had the incidental benefit for both mines of improving liquidity, leading to higher interest income.

Randfontein also suffered from a higher tax charge, giving rise to a decline in profits of R41.41m.

Here again, Mr Nisbet said that there would be a substantial increase in spending in the current quarter, to give a total for the year of over R100m.

The newly-acquired Doornkop area, into which Randfontein is expanding, will account for some of this spending.

The latest figures are compared in the accompanying table.

	Sept qtr R000	June qtr R000	March qtr R000
Randfontein	41,413	50,197	45,361
Western Areas	12,903	10,408	12,382

The quarterly reports from the gold producers in the Anglovaal group contain no real surprises, although there was a welcome trend of slight improvements in gold grades.

The lower gold price and a fall in by-product income from uranium, pyrite and sulphuric acid combined to leave the group's biggest producer, Hartebeestfontein, with net profits down 6 per cent at R35.5m.

The latest figures are compared in the accompanying table.

	Sept qtr R000	June qtr R000	March qtr R000
Hartebeestfontein	35,461	37,859	38,208
Loraine	4,018	3,467	*5,134
Cnsd Murchison	1,480	1,544	994
Prieska	5,907	3,511	1,802
East Transvaal	5,068	6,877	5,590
Village Main	187	299	176

* After receipt of State assistance.

Higher copper and zinc prices and lower costs helped the group's Prieska Copper Mines to achieve net profits of R5.9m, up from R3.5m in the June quarter, while the gold and antimony-producing Consolidated Murchison was hit by increased costs and taxation and returned profits 5.4 per cent lower than in the previous three months.

MMC aided by Argyle's first diamond profits

THE BIG tin producing Malaysia Mining Corporation (MMC) hit by the tin export restrictions imposed by the International Tin Council, is now getting some useful income from its indirect stake in the Argyle diamond venture in Western Australia.

This comes via the recently diluted interest of 46.3 per cent in Ashton Mining which, in turn, has a stake of 38.2 per cent of Argyle.

Commercial diamond production from Argyle started in January this year and is now running at an annual rate of 5m carats. By the end of 1985 or early 1986, Argyle's operations will spread to the big AK1 diamond pipe which should boost output.

However, revenue from the current relatively modest output at Argyle has contributed 22 per cent to the M$26m (£7.4m) operating profits of MMC.

Net attributable earnings of the tin group before extraordinary items come out at M$14.4m or 3.5 cents per share compared with M$20.2m a year ago.

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday October 19 1983

UK farmers propose quotas for EEC milk levy, Page 36

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WALL STREET

Quarterlies bring the casualties

WALL STREET stocks took a sudden dive yesterday as investors reassessed the outlook for the market, *writes Terry Byland in New York*. The trigger was pulled by the interest rate futures market which weakened in mid-afternoon bringing a half point fall in bond prices.

The stock market, awash with trading news from major companies was badly upset by a warning of lower profits ahead at Digital Equipment, number two to IBM in the information processing industry. Digital stock plunged $21¼ to $79 and unsettled the rest of the computer sector.

Another bearish factor was a set back in stocks of the leading securities trading houses.

At the close, the Dow Jones industrial average was 17.89 down at 1250.81. Turnover increased to 91.7m shares traded and stocks with losses outweighed those with gains by more than three to one.

Among the notable casualties, American Express fell $2 to $33¾ as major investors took a closer look at the results announced on Monday. Lower profits at E. F. Hutton opened the reporting season at the Wall Street securities trading houses. Hutton dropped by $2½ to $34⅜ and Merrill Lynch, with results expected, shed $1⅜ to $30⅜ on turnover of 2.3m shares, topping the active list.

Mixed opinions on the results from the major banks left Citibank down $⅝ at $42⅞ after announcing higher third-quarter profits. Similar news saw Manufacturers Hanover $1⅜ off at $38 and Bankers Trust unchanged at $¼ down at $42½.

IBM, $2¾ off at $129, remained depressed by the coolness of Wall Street analysts towards the third-quarter profit figures and shrugged off news of developments in personal computers. Honeywell fell $3½ to $128 on further consideration of the results.

In Motors, Ford weakened by $1⅜ to $67⅜. General Motors were $1¼ down at $1¼ down at $77⅜ and Chrysler fell $1⅛ to $30⅛.

Disclosure of the latest loss figures took $¾ off Caterpillar Tractor at $42⅛.

B. F. Goodrich, the tyre manufacturer, fell $1⅜ to $31¼ after disclosing a $14m loss for the third quarter. Allis Chalmers, the farm equipment manufacturer, was unchanged at $18½ despite a turnround into profit.

The Dow Jones transportation index pushed to new highs, with Burlington Industries jumping a further $⅝ to $105⅝ as a recommendation from Morgan Stanley circulated among major investors. CSX added $⅜ to $74⅝.

Pharmaceutical stocks were active, with Merck, the sector star slipping $1⅞ to $102⅜ after the third-quarter figures but Eli Lilly remained unchanged at $63⅜ after theirs. Pfizer was busy, with the price rallying to $41⅝ after early weakness.

Monsanto fell by $3⅜ to $111⅜ after a rise in third-quarter earnings.

Gould, the electronics measurement equipment maker eased $⅝ to $33⅜ after trading results, as did SCM Corporation at $32⅞. But Northwest Industries plunged $1½ to $39⅛ after disclosing a downturn in the third quarter and Champion International at $23⅞ was $⅛ down after their third-quarter results. Sundstrand $¾ down at $44¼ also suffered from poor results.

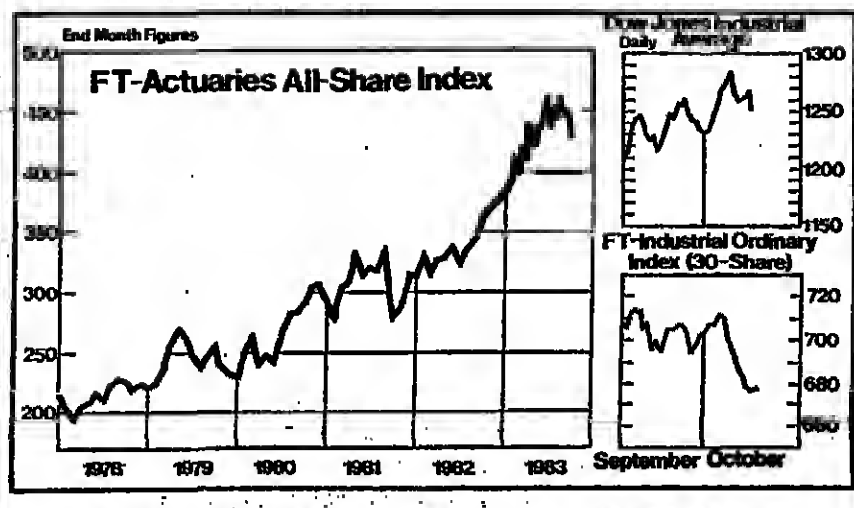
Tandy, operator of the Radio Shack chain of personal computer retail outlets, fell $1⅜ to $35 despite higher profits.

Retail issues, which have to wait until next week for their profit figures from the sector, were quiet. Trading results from Philip Morris, the world's largest cigarette maker, left the shares unchanged at $69¾.

In the credit market, short-term yields edged higher in response to Monday's bill auction. The three-month Treasury Bills yield 8.78 per cent and the six-month 8.69 per cent.

At the longer end, the key long bond fell to $103²⁹⁄₃₂.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Oct 18	Previous	Year ago
DJ Industrials	1250.81	1268.70	1019.22
DJ Transport	585.47	591.62	409.77
DJ Utilities	137.33	138.20	122.0
S&P Composite	167.81	170.43	136.73
LONDON			
FT Ind Ord	678.2	677.6	626.1
FT-A All-share	426.94	426.66	386.62
FT-A 500	463.51	464.20	427.72
FT-A Ind	417.49	418.23	395.86
FT Gold mines	538.1	541.9	420.6
FT Govt secs	81.23	81.26	84.20
TOKYO			
Nikkei-Dow	9349.06	9420.90	7370.2
Tokyo SE	681.29	685.78	552.52
AUSTRALIA			
All Ord.	682.1	687.7	517.4
Metals & Mins.	509.5	516.6	417.1
AUSTRIA			
Credit Aktien	54.72	54.72	47.51
BELGIUM			
Belgian SE	127.1	127.12	100.10
CANADA			
Toronto Composite	2449.8 *	2481.40	1784.4
Montreal Industrials	436.45*	443.07	322.94
Combined	416.64*	421.96	306.93
DENMARK			
Copenhagen SE	188.09	186.9	92.4
FRANCE			
CAC Gen	141.4	141.5	100.5
Ind. Tendance	150.1	150.7	117.6
WEST GERMANY			
FAZ-Aktien	333.53	331.23	295.07
Commerzbank	989.7	981.9	712.1
HONG KONG			
Hang Seng	790.04	771.55	878.89
ITALY			
Banca Comm.	183.95	182.1	164.57
NETHERLANDS			
ANP-CBS Gen	142.7	142.6	93.8
ANP-CBS Ind	116.7	118.8	72.4
NORWAY			
Oslo SE	213.44	213.5	107.29
SINGAPORE			
Straits Times	951.75	947.15	697.59
SOUTH AFRICA			
Golds	755.8	771.3	750.9
Industrials	912.4	914.0	695.6
SPAIN			
Madrid SE	121.38	120.82	101.89
SWEDEN			
J & P	1432.00	1447.29	732.77
SWITZERLAND			
Swiss Bank Ind	343.6	343.0	259.7
WORLD	Oct 17	Prev	Yr ago
Capital Int'l	182.7	181.8	144.0

GOLD (per ounce)

	Oct 18	Prev
London	$396.875	$394.625
Frankfurt	$397.25	$394.625
Zürich	$397.50	$394.50
Paris (fixing)	$398.90	$402.24
Luxembourg (fixing)	$397.00	$400.75
New York (Oct)	$396.30	$397.40

* Indicates latest pre-close figure

CURRENCIES

(London)	U.S. DOLLAR Oct 18	U.S. DOLLAR Previous	STERLING Oct 18	STERLING Previous
$	–	–	1.5005	1.5015
DM	2.5845	2.603	3.88	3.91
Yen	232.25	233	348.5	350
FFr	7.9030	7.955	11.855	11.9425
SwFr	2.0985	2.11	3.15	3.1725
Guilder	2.9020	2.918	4.355	4.385
Lira	1573.5	1582.25	2359	2375
BFr	52.73	53.05	78.10	79.65
C$	1.23125	1.23125	1.847	1.8495

INTEREST RATES

Euro-currencies (three month offered rate)	Oct 18	Prev
£	9⅝	9⁷⁄₁₆
SwFr	4⅛	4⅛
DM	5¹³⁄₁₆	5⅞
FFr	14¹³⁄₁₆	14¹³⁄₁₆
FT London Interbank fixing (offered rate)		
3-month U.S.$	9⅝	9⅝
6-month U.S.$	9¾	9¾
U.S. Fed Funds	9⅛*	9¼
U.S. 3-month CDs	9.2*	9.15
U.S. 3-month T-bills	8.5*	8.54

U.S BONDS

Treasury	Oct 18 Price	Oct 18 Yield	Prev Price	Prev Yield
10⅜ 1985	100²³⁄₃₂	10.42	100²⁴⁄₃₂	10.40
11½ 1990	100 ⁵⁄₃₂	11.43	100¹⁴⁄₃₂	11.38
11⅞ 1993	102 ⁴⁄₃₂	11.49	101¹⁴⁄₃₂	11.48
12 2013	103²⁷⁄₃₂	11.55	104 ⅜₂	11.50
Corporate	**Oct 18 Price**	**Oct 18 Yield**	**Prev Price**	**Prev Yield**
AT & T				
10⅜ June 1990	94½*	11.60*	94½	11.60
3⅞ July 1990	69*	10.40*	69	10.40
8¾ May 2000	78½*	12.05*	76½	12.05
Xerox				
10⅜ March 1993	93⅝*	11.80*	93⅝	11.80
Diamond Shamrock				
10⅜ May 1993	91*	12.25*	81	12.25
Federated Dept Stores				
10⅜ May 2013	87.473*	12.20*	87.473	12.20
Abbot Lab				
11.80 Feb 2013	95.761*	12.20*	96.781	12.20
Alcoa				
12¼ Dec 2012	96.522*	12.70*	96.522	12.70

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
December	71–28	72–14	71–27	72–07
U.S. Treasury Bills (IMM) $1m points of 100%				
December	91.23	91.34	91.18	91.23
Certificates of Deposit (IMM) $1m points of 100%				
December	90.61	90.72	90.55	90.63
LONDON				
Three-month Eurodollar $1m points of 100%				
December	90.22	90.45	90.40	90.37
20-year Notional Gilt £50,000 32nds of 100%				
December	105–25	106–08	105–25	106–02

COMMODITIES

(London)	Oct. 18	Prev
Silver (spot fixing)	874.20p	891.95p
Copper (cash)	£974.50	£964.50
Coffee (Nov)	£1909.00	£1922.00
Oil (spot Arabian light)	$28.70	$28.70

LONDON

Colourless end to equity rally

EQUITY TRADERS endured another drab trading session in London yesterday. A promising Wall Street-inspired technical opening rally in leading shares faded, reflecting the continued absence of institutional investment support, and values ended a little better than steady. The FT Industrial Ordinary share index closed 0.6 up at 678.2.

Monday's brighter showing in gilts, which owed much to revived hopes of lower short-term U.S. interest rates, gave way to slightly more nervous conditions yesterday. Early improvements of around ⅛ or so were replaced by falls ranging to ¼ in the longs, while shorts finally settled with gains ranging to ¼, mainly among low-coupon stocks.

Properties and stores were two sectors to show above-average signs of life: the latter was fairly active initially, reflecting the record September retail sales figures, before quietening and closing mixed on balance. *Details, Page 31; Share Information Service, Pages 32-33.*

HONG KONG

THE WEEKEND support measures, pegging the local currency at HK$7.80 to the U.S. dollar, continued to provide a stimulus to shares in Hong Kong.

The market opened firm and the Hang Seng index added 13 points in the first hour. By the close, the measure was 33.48 points ahead at 790.04.

In the banking sector, Hongkong Bank gained 10 cents to HK$7.05 and Hang Seng Bank HK$1.50 to HK$32.75.

SINGAPORE

PLANTATION ISSUES came in for some demand in Singapore on speculation that Friday's Malaysian budget could scrap rubber duty. Overall, shares ended slightly higher with the Straits Times industrial index up 4.58 at 951.73.

Of the plantation issues, Consolidated Plantations was actively traded to reach S$3.24 before ending unchanged at S$3.18. K.L. Kepong firmed 10 cents to S$3.20 and Sime Derby one cent to S$2.47.

AUSTRALIA

SHARES SUFFERED their third successsive decline in Sydney where traders have adopted the view that issues seem to have overrun their fundamental supports. They point to lower gold and base metal prices and a stronger Australian dollar which cuts into the profits of the major exporters.

Base metal miners led the decline. MIM Holdings, which has been steadily reducing its copper price, shed six cents to A$3.62, after reporting net profits increased to A$10m in the first 12 weeks of its financial year, compared with A$2.3m in the same 1982 period but A$24.6m in the final quarter of the last financial year.

SOUTH AFRICA

MOST INDUSTRIAL issues were unchanged in Johannesburg yesterday although some mining stocks encountered selling pressure.

Driefontein slipped 25 cents to R34, Rustenburg edged 5 cents lower to R11.35 while Buffels lost 50 cents to R54.75. The disposal of a large block of shares in the diversified industrial group, Federale Volksbeleggings, was the only point of interest in the session.

CANADA

OILS, METALS and golds were the weakest sectors in Toronto by mid-session yesterday, although property and forest product issues posted gains.

International Thomson was off an early C$⅛ to C$12⅛ and Gulf Canada shed a similar amount to C$18⅜.

Small losses in Montreal papers and utilities were overshadowed by much weaker industrials.

TOKYO

An advance hesitates and is lost

A HESITANT MOOD which prevailed in Tokyo yesterday sent share prices sharply lower, while bonds also remained weak, *writes Shigeo Nishiwaki of Jiji Press*.

The Nikkei-Dow Jones market average of 225 select issues opened 23.89 higher from the previous day, but thereafter declined, ending the day at 9,349.06, a steep fall of 71.84. Volume expanded to 321.35m shares from Monday's 239.08m.

Encouraged by persistent expectations of a cut in short and long-term interest rates, and an overnight firm tone on Wall Street, investors at first showed buying interest, but became bearish toward the close of the morning session against the background of political uncertainties.

Blue chip stocks opened higher, but closed easier on small-lot selling by foreigners. Fuji Photo Film declined Y10 to Y1,990, Hitachi fell Y15 to Y862, NEC Y 30 to Y1,270, Fujitsu Y20 to Y1,250, Canon Y40 to Y1,280, TDK Y50 to Y4,690 and Pioneer Electronic Y70 to Y2,680.

Conversely, Sanki Engineering scored a maximum allowable gain of Y80 to Y534 on speculation of a boost in Treasury investments and its loans programme.

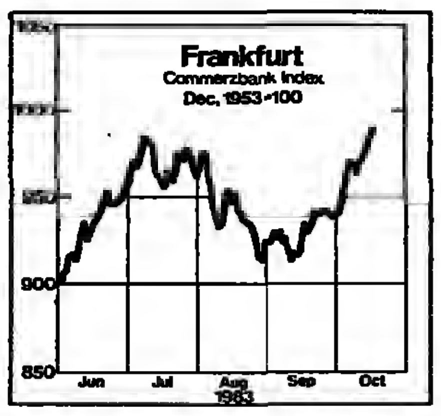
Machine tools firmed on expectations of improvement in their business results, with Aida Engineering gaining Y42 to Y777, Toshiba Machine Y33 to Y568 and Hitachi Seiki Y14 to Y425.

Market uncertainty derived largely from selling of blue chips by European investors, but analysts at major securities houses said the stocks were sold in relatively small lots of 200,000 to 300,000 shares.

The analysts believe, therefore, that such sales would not lead to a change in the undercurrent of the market. None the less, share prices plunged, reflecting the extremely nervous investor sentiment.

On the bond market, expectations of a cut in Japan's official discount rate, currently standing at 5.5 per cent, persisted, but it was thought that judging from the current yen's value against the U.S. dollar, the Bank of Japan is likely to reduce its discount rate late this month. Under such circumstances, investors adopted a hands-off attitude.

The market saw city and regional banks, as well as financial institutions related to agriculture and the forestry trade, buy bonds in small amounts. The yield on 7.5 per cent government bonds maturing in January 1993 fell to 7.66 per cent in the morning on expectations of a discount rate cut, but it rose later amid a growing wait-and-see mood, closing the day at 7.69 per cent.



EUROPE

Frankfurt at 23-year record

A HEAVY SURGE of early buying, following Commerzbank's announcement of plans to pay a DM 6 dividend after three years of omission, took shares to peak levels in Frankfurt. Despite a later round of profit-taking, shares ended modestly higher on the day.

The Commerzbank index of 60 leading shares, calculated at midsession, added 7.9 to 989.7 – its highest since September 1960 when a record 1,031.9 was achieved.

The 1958-based FAZ index of 100 shares – also a midsession measure – reached a record 333.53, up 2.30 on the day and surpassing the previous high of 331.85 recorded on July 7.

Commerzbank's dividend plan was viewed as fitting neatly with the picture of improved company results, as described in the Bundesbank's latest monthly report, and into the new impetus coming from the dollar's decline.

Commerzbank itself ended at DM 177.90, up DM 5.10 on the day, and it helped other recently depressed banks higher. Dresdner added DM 4.50 to DM 178.50 and Deutsche DM 2.10 to DM 308.50.

Recently strong motor company shares ended narrowly mixed after profit-taking. Daimler, which touched DM 641 at the opening, slipped to closed DM 1.50 higher on the day at DM 639.50 while VW shed DM 2.50 to DM 230.70 and BMW added DM 1 to DM 401.

Siemens was a firm favourite in the electricals sector, adding DM 4 for a year's high of DM 366.50. AEG firmed 50 pfg to DM 85, but Brown Boveri fell DM 4.30 to DM 223.50.

Domestic bonds rose by up to 0.25 points in a lively officials session, boosted by increasing confidence in the D-Mark and the higher close of the U.S. credit markets on Monday.

Bourse trading was much less active elsewhere in Europe. In **Paris**, shares were lower in moderate trading as operators adjusted positions ahead of today's settlement of monthly accounts.

A mixed picture emerged in **Brussels** where the ailing steel company Cockerill-Sambre ended up BFr 3 on the day at BFr 178 after an opening BFr 185.

Few significant price movements were seen in **Amsterdam** though the market ended mainly higher. The international sector rose on small, mostly domestic, demand, while insurance managed to sustain the foreign interest that has been evident over the past few weeks.

The banking sector and most chemicals led **Zurich** higher, though volume was only average. Union Bank remained firm adding SwFr 20 to SwFr 3,185 after Monday's SwFr 10 rise. Pirelli showed little reaction to its higher net profits firming SwFr 2 to SwFr 260.

Milan remained depressed amid continued fears of possible new fiscal measures to finance Government spending and shares ended mixed to slightly higher.

Electricals provided the lead for a slightly firmer **Madrid**, while **Stockholm** ended mixed to higher on a slightly improved turnover.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 29

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22 1/8	8 5/8	AAV	.32	2.0	12	18	16	15 5/8	15 5/8	-1/8
4 1/8	3	AICPh				2	3 1/8	3 1/8	3 1/2	
6 1/8	2	ATI				13	2 3/4	2 5/8	2 3/4	+1/8
12 1/4	2 1/2	AcmePr			8	26	5 1/4	5 1/4	5 1/8	-1/4
19 1/2	11 7/8	AcmU	s .32	2.3	16	15	14 1/2	14 1/8	14 1/8	-1/2
14 1/2	7 1/4	Action	s		10	106	12 7/8	12 1/2	12 1/2	-1/2
12	6 3/8	Actons	.11	1.4	35	20	7 5/8	7 1/4	7 1/2	+1/8
6 1/2	1 1/8	Acin	wi			10	3 1/4	3 1/4	3 1/4	+1/8
8	1 1/4	AdmRs				54	4 1/8	4	4	-1/4
30 5/8	16 5/8	AdRusl	s .10	.4	15	50	25 1/4	25	25	-3/8
28 7/8	14 1/4	Adobe	.24	1.1	15	14	22 1/4	22	22	
5 1/4	2	AegaCp			15	184	4 1/4	4 1/8	4 1/4	+1/8

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s
24 1/8	12 1/4	BowVal	.15	7		532
13 1/2	6 1/2	BowlA	.44	3.8	9	8
9 1/2	3 1/4	Bowmr				81
24 1/2	14	Bowne	.40	2.4	11	445
29 1/8	12 1/4	BradNt			130	259
3 1/2	7/8	Branch				2
32 1/8	13 1/2	Brascn	g1.00			35
38 1/4	11 1/8	Braun	s			1
43	28 1/4	BrnFA	.80	2.8	9	12
45 1/8	27 1/2	BrnFB	.88	2.7	9	349
4 1/8	3 1/4	BrnF	pf .40	10		40
8 1/4	3	Buckhn				1
6 7/8	4 1/2	Buckh	pf .50	10		11
19 1/8	8 1/2	Buell	.40	2.9	6	10

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

Continued on Page 30

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—when distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full.

WORLD STOCK MARKETS

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

NEW YORK CLOSING PRICES

Continued from Page 29

Indices

MONTREAL	Oct 18	Oct 17	Oct 14	Oct 13	1983 High	1983 Low
Industrials	438.65	443.07	444.80	445.87	463.09 (5/5)	329.12 (4/1)
Combined	416.64	421.96	422.25	423.05	441.29 (28/5)	319.45 (5/1)
TORONTO Composite	2448.5	2481.4	2488.7	2487.8	2598.2 (28/6)	1949.8 (4/1)

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

	Oct 18	Oct 17	Oct 14	Oct 13	1983 High	1983 Low
SWEDEN Jacobson & P. (1/1/58)	1492.60	1447.29	1428.37	1424.59	1528.88 (6/5)	886.16 (5/1)
SWITZERLAND SwissBankCpn. (31/12/58)	343.8	343.8	342.4	342.8	347.8 (4/8)	294.4 (4/1)
WORLD Capital Intl. (1/1/70)	—	182.7	181.8	182.7	185.8 (10/10)	154.5 (5/1)

(**) Saturday Oct. 15: Japan Nikkei-Dow 9384.34; TSE 682.81.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrial. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON STOCK EXCHANGE

MARKET REPORT

Another colourless session ends with Gilts and equity leaders slightly firmer for choice

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 3	Oct 13	Oct 14	Oct 24
Oct 17	Oct 27	Oct 28	Nov 7
Oct 31	Nov 10	Nov 11	Nov 21

* "New-time" dealings may take place from 9.30 am two business days earlier.

Equity traders had lo endure another drab trading session in London Stock markets yesterday. A promising Wall Street-inspired technical opening rally in leading shares foded, reflecting the continued absence of institutional investment support, and values ended little better than steady. Proceedings in the gilt-edged sector were also quiet but the tone here was steady to firm after Public Sector Borrowing Requirement figures at the lower end of the range.

Monday's hrighter showing in gilts, which owed much to revived hopes of lower short-term U.S. interest rates following last week's fall in the basic money supply measure, gave way to slightly more nervous conditions yesterday.

Renewed concern about the outlook for inflation and some apprehension ahead of the Public Sector Borrowing Requirement figures, announced at 2.30 pm, saw early improvements of around ½ or so replaced by falls ranging to ½ in the longs. After the PSBR statistics, quotations picked up again in light trading. The shorts finally settled with gains ranging to ¼, mainly among low-coupon stocks, while longer-dated issues registered fractional changes in hoth directions.

Leading equities retrealed when the much-needed investment demand failed to materialise. Potential investors remained on the sidelines, probahly discouraged by more adverse Press views on market prospects. The outcome was that the volume of business in many hlue chips remained at a particularly disappointing level with most interest centred on secondary issues.

Up 2.1 at 10 am, the FT Industrial Ordinary share index slipped back to show a loss of 1.3 at 1 pm before rallying late to close a net 0.8 up, the first closing improvement in eight trading sessions, at 678.2. Recent U.S. favourite, ICI, turned easier following cautious Press comment, while another index constituent, Hawker, fell 8 to 270p on nervous offerings ahead of today's interim figures.

Properties and Stores were two sectors to show above-average signs of life; the former made progress in response to newspaper mention, while the latter were fairly active initially, reflecting the record September Retail sales figures, before quietening and closing mixed on balance.

Eagle Star feature

A firm insurance sector was featured by renewed strength in Eagle Star which advanced 18 more to 468p on further speculative buying fuelled hy hopes of the early floatation of its Grovewood subsidiary, VG Instruments. Elsewhere in Composites, Phoenix closed 10 higher at 318p and GRE 8 better at 441p, while General Accident put on 6 to 396p as did Royals to 478p. Prudential rose 12 to 418p among Life issues.

The major clearing banks took the previous day's late technical rally a stage further but failed to hold their best levels. Barclays ended 9 hetter at 432p and Lloyds 7 dearer at 445p. In merchant banks, Minster Assets at 90p, regained 5 of the recent sharp fall which followed the chairman's profits warning.

Tottenham Hotspur, which made a rather disappointing back in the absence of support to close 4 cheaper at 95p compared with the offer-for-sale price of 100p.

Buildings continued to drift in the absence of support. BPB Industries gave np 8 to 240p, while Newarthill shed 10 to a 1983 low of 505p. Sporadic selling left Burnett and Hallamshire 15 lower at 295p and clipped 4 from Higgs and Hill, at 280p. Among the companies reporting yesterday, Ibstock Johnsen touched 157p on the better-than-expected interim results and the Board's cheerful statement about second-half prospects before drifting back to close 2 cheaper on balance at 152p. Disappointment with the interim statement left Walter Lawrence 4 off at 210p after 206p, but good preliminary profits lifted Ramus 5 to 90p. Buying in front of tomorrow's half-timer prompted a rise of 2 to 89p in F.J.C. Lilley. On the hld front, UBM moved up to 126p before closing 2 firmer at 125p; the Norcross offer closes today.

With sentiment clonded by cautious Press comment and news that the group is one of several major chemical companies under investigation by the European Commission for alleged polypropylene price fixing, ICI encountered further scrappy selling and closed 10 down at the day's lowest of 558p.

Opening firmer on September's provisional retail sales figures, leading Stores encountered selling and generally finished a shade easier for cholce. Exceptions were noted, however, in British Home, which added 2 at 212p awaiting today's interim results, and House of Fraser, 4 np at 216p. Elsewhere, Harris Queensway rallied 6 to 266p. MFI were quoted at 130p ex-the rights issue; the new nil-paid opened at 10p premium, rose to 11p premium, but dipped to close at 8p premium. Newsagents were irregular. W. H. Smith A added a few pence at 118p, hut John Menzies came on offer at 278p, down 7, and NSS shed 4 at 86p. Heelamat hardened a couple of pence to 68p following the chairman's optimism at the annual meeting. Sumrie Clothes attracted renewed speculative demand, ading 3 for a two-day gain of 13 to 98p, while increased annual profits lifted Castie (GB) 4 to 80p.

Immed. Business up

The Electrical leaders showed little change after fluctuating within fairly narrow limits during the session. Elsewhere, late suport left Cable and Wireless 7 higher at 285p, while BSR attracted fresh demand and rose 5 more to 145p. Immediate Business Systems, up 14 at 140p, responded to news of the contract for the supply on an immediate billing system to the South Western Electricity Board. Sound Diffusion, down 5 more at 100p, remained a nervous market awaiting tomorrow's interim figures. Lee Refrigeration rallied 10 to 270p, while Automated Security settled 4 higher at 130p, after having been down to 120p in the early dealings. Humberside eased a penny to 11p on the annual loss, but NEI closed a shade harder at 85p following news that the Indian Power station dispute had been settled.

A revival of nervous offerings in front of today's half-year figures left Hawker down 8 at a new low for the year of 270p. Elsewhere in the Engineering sector, Belgrave (Blackheath) advanced 13 to 93p on speculative demand in the wake of Mr A. J. Shamji's appointment as chairman. Tace encounlered fresh profit-taking and gave up 5 more to 119p, while James Austin Steel eased a penny to 35p on the annual loss. Danks Gowerton, a shade harder at 27p, reflected the encouraging tenor of the chairman's annual slatement.

Food Retailers continued to drift lower. J. Sainsbury shed 9 more to 398p, Associated Dairies eased 4 to 336p and Tesco drifted back from a higher opening to close unaltered on balance at 159p. Hillards lost 6 to 242p and William Morrison 4 to 182p, but buying ahead of tomorrow's preliminary results lifted William Low 4 to 284p. Elsewhere, Rowntree Mackintosh shed 4 to a 1983 low of 200p, while Cadbury Schweppes lost the turn to 97p. Brooke Bond touched 73½p on better-than-expected preliminary profits before closing fractionally cheaper on the day at 70½p. Peek Holdings, a rising market recently on takeover speculation, reacted to 35p before settling a net 3 down at 38p following the Board's denial of a bid approach.

Davies & Newman fall

Davies and Newman weakened sharply to 138p on the heavier half-yearly loss before settling a shade above the worst at 142p, a fall of 28 on the day. Disappointing interim figures also unsettled London and Northern, which closed 7½ down at 70p. In contrast, restoration of the OTC listing for Victor Technologies made for more settled trading conditions in Applied Computers, np 12 at 350p. Kean and Scott revived with a gain of 4 to 42p, while Press mention continued to stimulate buying of Walker and Homer, up 1½ more at 20½p, and Continuous Stationery, 2 to the good at 38p. Speculative demand lifted Bifurcaled Engineering 8 to 44p. Somic were also noteworthy among smaller-priced issues for a rise of 5 to 25p. Buoyed recently by take-over hopes, Rank Organisation encountered selling and gave up 7 at 164p, fresh offerings left Beatson Clark 10 down at a new low for the year of 160p. Hunting Associated reacted a like amount lo 195p. Other dull spots with falls of around 5 included Bruntons (Musselburgh), 118p, and Dominion International, 124p. Interest in Miscellaneous Industrial leaders remained low, but Glaxo rallied again to close 7 dearer at 740p. Recent comment on the valuations of stakeholders in Reuters caused dullness in Reed International, down 4 more at 318p.

In the wake of Monday's agreed £4.3m offer for Broadprint, lottery ticket printer Norton Opax, which failed with its hld for John Waddington, shed 3 to 113p. Trident TV firmed 2 to a 1983 peak of 104p on speculative buying fuelled hy hopes that Pleasurama will be given Monopolies Commission go-ahead to launch another bid for the company; the Commission ls not expected to puhlish its findings until the middle of next month. Pleasurama hardened 5 to 311p. Intervision Video firmed a penny to 28p; the preliminary results are due on November 3.

Recent Press reports highlighting asset values and yield attractions encouraged further support of leading Properties. Land Securities were prominant again and rose 7 to 302p, while MEPC firmed 5 to 213p. Demand was also noted for Slough Estates, 3 firmer at 108p, and Great Portland Estales, 4 better at 126p. Chesterfield rose 10 lo 325p and Brixton Estates hardened 3 to 107p, but Bradford moved against the trend with a fall of 4 lo 256p. Elsewhere, Alfred Walker put on 4 to 60p on lakeover hopes. Whittington hardened ½ to 18½p after the interim statement, but London Shop Property lost the turn at 145p following the proposed rights issue of convertible loan stock.

A listless market of late, Courtaulds responded to revived investment support and closed 4 dearer at 92p; lhe lnlerim results are due towards the end of next month. Ellenroad Mill attracted renewed speculative support on hopes of a "shell" operation, gaining 5 to 28p.

Financials again traded without distinction, although a broker's huy recommendation brought gains of 10 to both Mercantile House, 334p, and Exco International, 543p. R. P. Martin held at 220p awaiting today's preliminary results. Stockjobbers Akroyd and Smithers responded lo late interest with a rise of 8 to 415p.

Oils remain quiet

Oil shares remained a relatively neglected sector. Quotations opened higher before drifting back on lack of interest lo close with little alteration on balance. Hunting Petroleum fell 4 to 170p on the lower interim profits, while IC Gas were noteworthy for a fall of 8 to 240p.

Company trading statements commanded attention in Overseas Traders. Harrisons and Crosfield, a firm market of late, reacted 25 to 712p following the mid-term statement; the associate Harrisons Malaysian Plantations closed 4 dearer at 166p. Uninspiring preliminary results saw Paterson Zochonis ease the turn to 146p, after 148p, while Gill and Duffus, due to reveal first-half figures today week, hardened 4 to 166p.

Rubbers displayed useful gains following firmer overnight indications from Kuala Lumpur; these reflected speculation that Friday's budget would contain a reduction in rubber export duties. Malakoff rose 6 to 112p, while London Sumatra, 300p, and Inch Kenneth, 398p, advanced 13 ond 10 respectively. Kuala Lumpur Kepong closed 3 to the good at 96p. By way of contrast, a television programme drawing attention to poor working and living conditions on Bangladesh tea plantations prompted an early mark-down in James Finlay, 3 off at 123p, and Lawrie, 10 lower at 620p.

Golds easier

An otherwise featureless day in mining markets was highlighted by the renewed and persistent weakness in Consolidated Gold Fields shares of which dropped 12 more to 488p—a decline of 52 over the previous seven trading days. Dealers reported persistent small selling pressure although there was modest support around the 490p level.

Other UK Financials continued to edge higher, aided by a rally in base-metal prices and steadier precious metals. RTZ hardened 3 to 548p and Charter put on 2 to 220p.

South African Golds remained an extremely nervous market. Marked higher at the outset, the sharemarket attracted widespread selling pressure around lunchtime but staged a minor recovery in after-hours trading which left the majority of issues with small overall losses.

The Gold Mines index was down 3.8 at 538.1.

Most of the leading heavyweights closed with falls ranging to a half-point, as in Free State Geduld, £25½. President Steyn, £29¾ and President Brand, £28¾; all three are due to announce final dividends on Thursday along with Welkom, 17 cheaper at 832p. ERGO eased 2 to 439p ahead of the interim payment which is also expected on Thursday.

Bullion moved narrowly throughout the day prior to closing a net $2.25 up at $396.875 an ounce.

South African Financials showed little change either way hut Platinums gave ground on profit-taking.

In the latter sector Rustenburg were particularly vulnerable and dropped 25 to 675p. The recent lack of interest in Australians continued. MIM Holdings dipped 4 to 220p following the first quarter earnings, while North Broken Hill lost 3 to 183p and Metals Exploration a penny lo 45p despite news of a tin discovery in New South Wales.

Demand for Traded Options remained steady with puts accounting for more than half the total of 2,515 contracts. ICI again attracted a useful two-way business with 294 calls and 171 puts struck, the latter October 600s rose 8 to 40p. Grand Metropolitan and Marks and Spencer recorded 215 and 191 puts respectively, while 495 puts were done in Land Securities, all in the January 300 series.

FINANCIAL TIMES STOCK INDICES

	Oct. 18	Oct. 17	Oct. 14	Oct. 13	Oct. 12	Oct. 11	year ago
Government Secs.	81.93	81.23	81.10	81.06	81.40	81.66	84.20
Fixed Interest	84.51	84.22	84.46	84.44	84.50	84.90	84.72
Industrial Ord.	678.2	677.6	678.5	685.0	692.1	698.2	626.1
Gold Mines	538.1	541.0	551.1	548.9	549.1	572.7	420.6
Ord. Div. Yield	4.99	4.98	4.98	4.94	4.89	4.85	4.59
Earnings, Yld.% (full)	9.89	9.82	9.88	9.78	9.68	9.00	10.18
P/E Ratio (net) (*)	12.66	12.68	15.68	12.80	12.94	15.04	11.80
Total bargains	21,704	20,021	20,917	19,595	20,094	19,810	25,991
Equity turnover £m.	—	171.83	279.00	245.09	193.53	160.66	355.82
Equity bargains	—	16,553	19,992	18,930	15,031	15,850	22,410
Shares traded (ml)	—	115.7	176.8	136.2	117.7	105.9	175.6

10 am 679.7. 11 am 677.9. Noon 677.2. 1 pm 676.3. 2 pm 676.2. 3 pm 677.9.

Basis 100 Govt. Secs. 15/1/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/1/55. SE Activity 1974.

Latest Index 01-246 8026.

Nil=11.91.

HIGHS AND LOWS

	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.00 (15/6)	77.00 (24/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	84.90 (11/10)	79.05 (1/2)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	740.4 (22/8)	598.4 (12/1)	740.4 (22/8/83)	49.4 (26/6/40)
Gold Mines	734.7 (15/2)	531.5 (28/3)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Oct. 17	Oct. 14
—Daily Gilt Edged Bargains	170.8	179.3
Equities Bargains	107.2	129.3
Value	347.3	565.7
5-day Avrge Gilt-Edged Bargains	157.3	163.7
Equities Bargains	109.5	109.8
Value	424.9	424.7

NEW HIGHS AND LOWS FOR 1983

NEW HIGHS (30)

BRITISH FUNDS (1)
Exchqr. 3pc 1984
CORPORATION LOANS (1)
L'pool 9¾pc '80-84
COM'WEALTH & AFRICAN LOANS (2)
N.Z. 7¼pc '88-92 N.Z. 7½pc '83-86
AMERICANS (7)
Amfac Inc. Ford Motor
Colt Inds. Honeywell
Crown Zellerbach Quaker Oats
Exxon
CANADIANS (2)
Barrick Res. Corp. Bell Canada
CHEMICALS (4)
Ciba-Geigy 6pc 1961-94 Hoechst Ag
Do. 8¼pc Cnv. 1982-95 Do. Fin. 10pc Uns. Ln. 1990
STORES (1)
Bolton Textile
ENGINEERING (2)
Burgess Prods. Evered
INDUSTRIALS (3)
Elbief Walker & Homer
Hoover A
INSURANCE (1)
Travelers Corp.
LEISURE (1)
Trident TV A
MOTORS (1)
Lotus Car
NEWSPAPERS (1)
Black (A. & C.)
OVERSEAS TRADERS (1)
Mitchell Cotts
PLANTATIONS (2)
Kuala Kepong London Sumatra

NEW LOWS (39)

CANADIANS (1)
Rio Algom
BREWERS (2)
Greene King Marston Thompson
BUILDINGS (3)
Glossop SGB
Newarthill
CHEMICALS (2)
Arrow Chems. Stewart Plastics
STORES (3)
Mellins Superdrug Stores
Menzies (J.)
ELECTRICALS (6)
A. & G. Sec. Elects. Humberside
Electro-Protective M.K. Electric
Eurotherm Intnl. Security Centres
ENGINEERING (5)
Haden Weir
Hawker Siddeley Woodhouse & Rixson
Molins
FOODS (3)
Home Farm Prods. Rowntree Mackintosh
Lovell (G. F.)
HOTELS (1)
Grand Met.
INDUSTRIALS (7)
Anglo Nordic Fobel Intnl.
Beatson Clark Rockware
Crest Nicholson Wills (George)
Ecobric
PROPERTY (1)
Kent (M. P.)
TRUSTS (1)
M&G 2nd Dual Cap.
OILS (2)
Amer. Oil Fields Westfort Pets.
OVERSEAS TRADERS (1)
Inchcape
MINES (1)
Northgate Explrtn.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	29	18	55
Corpns Dom & Foreign Bonds	20	3	48
Industrials	186	320	881
Financial & Props	85	87	347
Oils	14	27	73
Plantations	5	2	11
Mines	22	69	77
Others	54	52	68
Totals	415	578	7,561

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Tues Oct 18 1983 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon Oct 17 Index No.	Fri Oct 14 Index No.	Thurs Oct 13 Index No.	Wed Oct 12 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (202)	[illegible]	−0.2	9.71	4.14	13.30	428.62	429.17	433.45	436.35	445.78
2	Building Materials (24)	[illegible]	−0.5	11.19	4.92	11.26	421.52	426.56	427.25	435.76	385.81
3	Contracting, Construction (29)	[illegible]	−0.1	13.97	5.34	8.97	666.70	676.08	685.20	697.33	711.05
4	Electricals (37)	[illegible]	−0.2	8.55	2.44	15.20	1556.36	1536.09	1559.81	1551.50	1836.43
5	Engineering, Contractors (10)	[illegible]	+0.1	15.85	6.68	7.82	415.26	418.50	423.01	428.40	477.20
6	Mechanical Engineering (59)	[illegible]	−0.3	13.01	6.09	9.62	185.02	185.79	187.39	189.82	199.79
8	Metals and Metal Forming (9)	[illegible]	+0.2	12.40	7.70	9.76	152.02	152.98	153.65	154.74	150.18
9	Motors (18)	[illegible]	+0.2	—	4.77	—	108.38	108.88	111.25	111.89	77.98
10	Other Industrial Materials (16)	[illegible]	−0.1	6.06	4.57	21.90	513.60	525.07	528.60	537.24	370.25
21	CONSUMER GROUP (198)	[illegible]	—	11.04	4.72	11.09	414.84	416.37	420.28	425.51	395.20
22	Brewers and Distillers (23)	424.97	+0.3	13.50	5.50	9.25	423.82	427.79	428.84	426.62	431.76
25	Food Manufacturing (22)	337.25	−0.3	13.60	5.95	8.58	338.18	339.46	340.54	342.88	329.69
26	Food Retailing (13)	930.87	−1.4	7.80	2.75	16.55	944.34	958.04	972.37	976.62	826.09
27	Health and Household Products (9)	705.50	+0.4	6.45	3.83	18.40	703.03	694.80	694.47	698.41	666.29
29	Leisure (23)	548.28	−0.1	9.21	4.95	14.05	549.06	549.43	552.85	567.29	458.80
32	Newspapers, Publishing (15)	921.28	−0.3	9.30	5.17	12.94	924.43	935.66	940.80	945.24	552.08
33	Packaging and Paper (14)	185.99	−0.9	11.03	5.34	11.17	187.68	189.72	191.45	186.77	148.69
34	Stores (47)	374.16	+0.2	8.65	4.07	15.61	373.53	374.05	380.72	390.48	361.85
35	Textiles (20)	201.62	+1.6	12.99	5.78	9.13	198.41	198.89	202.27	202.75	176.56
36	Tobaccos (3)	417.50	+0.2	23.87	7.62	4.69	416.52	422.85	430.78	435.11	463.23
39	Other Consumer (9)	429.60	−0.2	5.93	4.85	—	430.42	431.17	429.30	425.98	380.82
41	OTHER GROUPS (85)	375.74	−0.6	8.48	4.56	14.86	377.99	380.43	385.61	388.63	276.59
42	Chemicals (15)	539.29	−1.4	8.38	4.69	15.62	547.02	552.84	564.42	568.67	363.28
44	Office Equipment (6)	98.68	−2.7	9.73	5.21	13.11	101.43	103.17	104.38	105.88	99.88
45	Shipping and Transport (14)	726.28	+0.8	7.89	5.59	17.24	720.48	734.52	745.81	753.07	538.54
46	Miscellaneous (50)	492.25	+0.1	8.59	4.14	13.99	491.97	491.28	494.48	497.94	379.90
49	INDUSTRIAL GROUP (485)	417.49	−0.2	10.20	4.51	12.25	418.23	419.64	423.95	428.12	395.86
51	Oils (15)	965.49	—	11.66	6.18	10.41	965.65	963.99	980.17	988.98	784.68
59	500 SHARE INDEX	463.51	−0.1	10.46	4.80	11.88	464.20	465.34	470.65	475.21	427.72
61	FINANCIAL GROUP (124)	313.86	+1.3	—	6.11	—	309.75	310.16	312.94	317.90	275.98
62	Banks (6)	321.82	+1.2	26.68	7.92	4.09	317.92	316.57	322.80	326.72	284.21
63	Discount Houses (8)	296.93	−0.3	—	9.13	—	297.76	297.76	305.05	310.20	329.72
65	Insurance (Life) (9)	438.51	+1.4	—	5.10	—	432.54	434.26	435.98	446.64	336.97
66	Insurance (Composite) (10)	210.16	+2.1	—	7.31	—	205.77	207.81	209.10	212.48	184.38
67	Insurance Brokers (7)	562.45	+1.0	12.07	5.16	11.35	556.92	560.62	563.02	567.42	583.23
68	Merchant Banks (12)	184.84	—	—	5.03	—	184.87	185.68	186.61	187.34	148.24
69	Property (54)	455.94	+1.2	6.38	4.13	20.91	449.58	447.87	449.24	452.46	434.50
70	Other Financial (18)	227.58	+1.0	12.24	5.92	9.84	225.25	227.21	228.32	232.79	182.51
71	Investment Trusts (108)	428.56	−0.3	—	4.13	—	429.74	430.79	432.60	435.29	344.38
81	Mining Finance (4)	266.02	−0.4	10.42	5.49	11.74	267.16	267.19	267.67	271.87	231.24
91	Overseas Traders (14)	464.53	−1.0	7.73	8.87	19.86	469.42	475.23	478.46	474.21	375.34
99	ALL-SHARE INDEX (750)	426.94	+0.1	—	5.03	—	426.66	427.65	431.99	436.44	386.82

FIXED INTEREST

	PRICE INDICES	Tues Oct 18	Day's change %	Mon Oct 17	xd adj. today	xd adj. 1983 to date
	British Government					
1	5 years	116.34	+0.08	116.04	—	9.87
2	5-15 years	129.11	−0.03	129.15	—	11.74
3	Over 15 years	[illegible]	[illegible]	[illegible]	—	[illegible]
4	Irredeemables	[illegible]	[illegible]	[illegible]	—	[illegible]
5	All stocks	[illegible]	[illegible]	[illegible]	—	[illegible]
6	Debentures and Loans	[illegible]	[illegible]	[illegible]	—	[illegible]
7	Preference	[illegible]	[illegible]	[illegible]	—	[illegible]

	AVERAGE GROSS REDEMPTION YIELDS		Tues Oct 18	Mon Oct 17	Year ago (approx)
	British Government				
1	Low	5 years	9.87	9.86	8.17
2	Coupons	15 years	10.21	10.19	9.48
3		25 years	9.91	9.90	9.67
4	Medium	5 years	11.21	11.20	10.29
5	Coupons	15 years	11.02	11.02	10.34
6		25 years	10.46	10.47	10.81
7	High	5 years	11.31	11.31	10.25
8	Coupons	15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]
11	Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
12		15 years	[illegible]	[illegible]	[illegible]
13		25 years	[illegible]	[illegible]	[illegible]
14	Preference		[illegible]	[illegible]	[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

RECENT ISSUES

EQUITIES

[illegible]

Renunciation data usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1983. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ● Figures or report awaited. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. ‡ Effective issue price after scrip. † Formerly dealt in under special rule. †† Dealt in under Rule 163 (3). ✱ Unlisted Securities Market.

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Oct 10	Oct 21	Jan 12	Jan23
Oct 24	Nov 4	Jan 26	Feb 6
Nov 7	Nov 18	Feb 9	Feb 20

For rate indications see end of Share Information Service

Money was given for the call of Eagle Star, GEC, Meggitt, London and Liverpool, Hawley, Combined Technologies, Amalgamated Estates, Trust Securities, Sound Diffusion, ICI, Breville Europe, Acorn Compulers, Francis Industries, Hongkong and Shanghai Banking, Parkfield Foundries and Applied Compnter Techniques. Puts were done in BP, and London and Liverpool, while double options were transacted in West Bromwich Spring, Pennine Resources, Bula, London and Liverpool, GEC and MFI.

MONDAY'S ACTIVE STOCKS

Stock	No. of changes	Mon. close	Day's change
Sound Diffan	16	105	− 3
Wlkr & Homer	18	19	+ 4½
Glaxo	15	733	+23
Fleet Holdings	14	112	−10
ICI	12	568	− 6
Parkfld Fndrs	12	40	+12
Unilever	12	840	− 5
Applied Cmptr	11	338	−17
B. H. Prop	11	725	−14
Cable & Wire	11	280	+ 7
GEC	11	186	+ 3
Grand Met	11	300	− 3
UEI	11	175	−20
Barclays Bank	10	423	—

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Automated Sec	130	+ 4
Belgrave (Blackheath)	93	+13
Brooke Bond	70½	− ½
Commercial Union	154	+ 3
Cons Gold Fields	488	−12
Davies & Newman	142	−28
Eagle Star	468	+18
Ibstock Johnsen	152	− 2
Immed Bus Systems	140	+14
ICI	558	−10
London & Northern	70	− 7½
Prudential	413	+12

Based on bargains recorded in Stock Exchange Official List.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C	$400	4	8	—	—	2	33	$397.25
GOLD C	$425	318	2.50	46	0	31	00	"
GOLD C	$450	7	1	27	2	17	10 B	"
[illegible]								

TOTAL VOLUME IN CONTRACTS: 9,258

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Brit. Petroleum (*424)	360	55	76	—	1½		
	390	36	48	58	1½		
	420	10	25	36	7		
	460	1½	10	18	40		
Cons. Goldfields (*492)	500	10	45	55	20		
	550	1½	23	37	64		
[illegible]							

Oct. 10, Total Contracts 2,515. Calls 1,053. Puts 1,462. * Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

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LOANS

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BANKS—Continued

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ELECTRICALS—Continued.

ENGINEERING

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
21	9½	Keep Trust 5p	11	+½	†0.15	—	‡	—
210	140	Kelsey Inds.	185	.....	8.0	1.7	6.2	12.7
155	110	Kershaw (A.) 5p	130	.....	†15.0	0.6	‡	(9.6)
80	39	Kleen-E-Ze Hldgs.	75	.....	3.0	0.5	5.7	—
101	52	L.C.P. Hlds.	88	.....	3.6	1.2	5.0	(9.8)
32	14	LDH Group	25	−1	—	—	—	—
132	93	L.R.C. Intl. 10p	102	−2	h2.95	2.3	4.1	12.3
34	17	Lamont Hldgs. 10p	32	.....	†1.3	1.8	5.9	12.4
40	26	Lawtex	39	.....	8—	—	—	♦
480	345	Lep Group 10p	460	.....	17.5	0.3	5.4	63.8
36	22	L'lleshall 10p	34	.....	d1.0	—	4.2	—
350	42	Lon. & Lw. 10p	49	−2	h2.75	3.5	0.0	4.4
135	97	London & Midl'd	109	.....	7.75	1.1	10.2	12.2
110½	38	Lon. & Nthn. Grp.	70	−7½	F4.2	2.0	8.8	9.7
40	23	‡Lon. Priv. Health	23	.....	—	—	—	11.5
65	46	Longton Inds.	57	.....	1.0	—	2.5	—
120	70	Low & Bonar 50p	110xd	.....	†5.0	2.8	6.5	(6.2)
48	12½	MCD Group	44½	.....	u1.0	2.2	3.2	20.3
87	62	MMT Computing 5p	80	.....	b1.60	2.6	3.0	18.6
26	16	M.Y. Dart. 10p	20	.....	0.1	—	0.7	—
212	134	M'c'rthy Ph. 20p	147	−1	7.0	2.7	6.8	6.9
148	128	Macfarlane Gp.	139	−3	†3.52	2.1	3.6	17.8
46	33	Macliellan 20p	34	.....	41.5	1.6	6.3	12.2
63	36	Macpherson (D.)	36	.....	4.2	0.6	16.7	(21.2)
56	41	Magnolia Group	54	.....	2.3	3.2	6.1	6.3
180	65	Man. Ship Can. £1	135	+3	3.5	6.8	3.8	4.1
77	48	Marley	74	.....	†2.5	0.5	4.8	(9.8)
45½	30	Marling Ind. 10p	42	.....	1.08	1.7	3.7	(8.9)
34	25	Marshall L'sy. "A"	25	.....	‡1.2	—	‡	—
68	44	Marshall's Univ.	56	.....	8—	—	—	10.5

LEISURE—Continued

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
39	14½	GRA Group 5p	35½	+½	—	—	—
50	45	Grampian TV 'A' 10p	57	.....	3.6	2.9	9.4
172	136	HTV Non-Vtg.	167	.....	11.0	♦	9.4
222	125	Horizon	127	.....	†3.6	5.7	4.0
162	91	Intasun 10p	140	.....	4.0	4.5	4.1
60	22	‡Interwood Video 10p	28	+1	1.0	2.1	3.7
370	258	Juliana's Hldgs. 2p	305xd	+5	b4.9	2.4	2.2
174	139	LWT "A"	172	.....	12.08	1.1	9.3
147	55	Leisuretime Int. 10p	60	.....	g1.54	2.8	3.7
132	108	Magnt. Ag. M. 10p	114	.....	8.75	1.6	11.0
68	52	Medminster 10p	59	+1	†4.0	0.8	9.7
170	110	‡New World Grp. 10p	160	.....	b3.0	2.5	2.5
23	17½	‡Nationwide 5p	20	−½	—	—	—
128	38	‡Nimslo Int. 20c	39	.....	—	—	—
128	45½	Norton Opax 10p	113	−3	‡2.17	4.3	2.7
30	22½	‡Owners Abroad	26¼	.....	0.5	4.5	2.7
47	36	Photax (Lon.)	38	.....	—	—	—
153	90	‡Prestige Sport 5 10p	110	.....	sd1.5	2.1	2.0
340	217½	Pleasurama 5p	311	+3	‡5.75	4.5	2.6
173	100	‡Radio City 'A' NV	125	.....	g5.6	1.6	6.5
209	150	Riley Leisure 10p	170	.....	†3.95	1.7	3.4
132	84	Saga Hols. 20p	86	.....	d3.73	—	6.2
515	345	Samuelson Grp. £1	390	.....	sd12.0	2.8	4.5
188	94	Scott. TV 'A' 10p	104xd	.....	7.35	2.2	10.1
68	20	‡SelecTV 10p	35	.....	—	—	—
24	15½	TSW 5p	20	.....	0.9	3.3	6.4
77	30	‡TVS N/Vtg. 10p	75	.....	—	—	—
29	19	‡Television Servs. 10p	23	.....	b0.2	3.3	1.2
104	64	Trid'nt TV 'A' 10p	104	+2	†φ4.26	1.4	5.8
180	105	‡21st Century Dist.	168	.....	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

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TRUSTS, FINANCE, LAND

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Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

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Eastern Rand

Far West Rand

O.F.S.

Finance

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[illegible]

Insurances—continued

[illegible]

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

INSURANCES

[illegible]

INSURANCE & OVERSEAS MANAGED FUNDS

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3. 01-623 1288

Black Horse Man. Fd.	233.44		.....	—
Managed Inv. Fd.	157.35	165.64	.....	—
Property Fd	151.07	159.05	.....	—
Fixed Interest Fd.	147.14	154.89	.....	—
Cash Fd.	135.95	143.11	.....	—
Income Fd.	171.47	180.50	.....	—
Extra Income Fd.	162.17	170.71	.....	—
Worldwide Growth Fd.	231.62	243.82	.....	—
Balanced Fd.	172.42	181.50	.....	—
Smlr Co's & Recy. Fd	203.25	213.95	.....	—
Int. Technology Fd	270.97	285.24	.....	—
Nth. Amer. & Gen. Fd.	160.18	179.14	.....	—
Energy Int. Fd.	107.69	113.36	.....	—
Pacific Basin Fund	132.41	139.38	.....	—

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Managed	112.0	117.9	.....	—
Property	106.0	111.5	.....	—
Equity	113.5	119.5	.....	—
International	128.6	135.4	.....	—
Fixed Interest	101.5	106.9	.....	—
Deposit	99.2	104.4	.....	—
Managed Pen. Cap.	112.6	118.5	.....	—
Property Pens. Cap.	104.6	110.1	.....	—
Equity Pens. Cap.	107.8	113.5	.....	—
Intnl. Pens. Cap.	134.9	142.0	.....	—
Fixed Int. Pens. Cap.	99.2	104.4	.....	—
Deposit Pens. Cap.	97.2	102.3	.....	—

Canada Life Group
2-6, High St., Potters Bar, Herts. P. Bar 51122

Equity Gth Sept 29	94.5		.....	—
Rtmt. Fed. Aug 6	255.4		.....	—
Managed Pen Fund	177.0	186.3	.....	—
Property Pen Fund	124.0	120.6	.....	—
Index Lnkd Pen Fund	111.6	117.4	.....	—
Managed	118.5	124.8	−0.4	—
Property	103.9	109.4	−0.1	—
Gilt and Fixed Interest	104.6	110.2	−0.6	—
Index-Linked	98.0	103.2	+0.1	—
Equity	115.2	121.3	.....	—
Cash	103.5	109.0	.....	—
Midland Bk. Unit Tst.	115.7	121.8	−0.4	—
Midland Bank Intnl.	138.7	146.1	−0.2	—

Cannon Assurance Ltd.
1 Olympic Way, Wembley HA9 0NB. 01-902 8876

Equity Units	£36.79	—	[illegible]	—
Property Units	£17.16	—	[illegible]	—
Equity Bond/Exec	£23.97	[illegible]	[illegible]	—
Prop. Bond/Exec	£22.42	[illegible]	[illegible]	—
Bal. Bd./Exec/Unit	£23.21	[illegible]	[illegible]	—
2nd Equity Acc.	187.2	[illegible]	[illegible]	—
2nd High Inc/Acc	142.9	[illegible]	[illegible]	—
2nd Property Acc	171.3	[illegible]	[illegible]	—
2nd Managed Acc.	168.3	[illegible]	[illegible]	—
2nd Deposit Acc	144.5	[illegible]	[illegible]	—
2nd Gilt Acc.	141.3	[illegible]	[illegible]	—
2nd American Acc.	193.7	[illegible]	[illegible]	—
2nd Intl Money Acc.	141.4	[illegible]	[illegible]	—
2nd Index Acc.	99.1	[illegible]	[illegible]	—
2nd Eq. Pens./Acc.	259.8	[illegible]	[illegible]	—
2nd Hi Inc Pens/Acc.	149.9	[illegible]	[illegible]	—
2nd Prp. Pens/Acc	218.1	[illegible]	[illegible]	—
2nd Mgd. Pens/Acc.	212.9	[illegible]	[illegible]	—
2nd Dep. Pens/Acc.	169.2	[illegible]	[illegible]	—
Gilt Pens/Acc.	182.6	[illegible]	[illegible]	—

G.T. Management Ltd.
16 Finsbury Circus, Lond. EC2M 7DJ. 01-628 8131

G.T. Plan Bond Fund	122.3	128.8	−0.2	—
GT Pln High Yld Fnd	112.6	118.6	−1.2	—
GT Plan Far East Fnd	111.0	116.9	−1.6	—
GT Pln N Am Fund	139.4	147.1	−1.8	—
GT Pln UK&G.E. Fnd	125.2	131.8	−1.8	—
GT Pln Wrldwde Fnd	132.9	139.9	−0.4	—
GT Pension Bnd Fnd.	132.2	139.2	−0.9	—
GT Pen High Yld Fd	127.5	134.3	−1.7	—
GT Pen Far East Fd	134.4	141.5	−0.8	—
GT Pen N. Am. Fd.	204.3	215.1	−3.3	—
GT Pen UK & G.E. Fd.	145.2	152.9	−1.9	—
GT Pen Worldwide Fd.	141.4	148.9	−0.4	—

Prices for Accum. Units only.

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733

Intl. Managed Bond	166.9	175.7	.....	—

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Portfolio Fd. Acc.	247.0		−2.3	—
Portfolio Fd. Init.	204.2		−2.5	—
Portfolio Fd. Cap.	235.8		−2.5	—
Investment Units	246.9	260.0	−2.4	—

Gresham Unit Ass. Ltd.
2-6, Prince of Wales Rd. B'mouth. 0202 767655

Managed Fd.	272.3	286.9	.....	—
Money Fd	154.9	163.1	.....	—
Equity Fd.	232.9	245.4	.....	—
Fixed Int. Fd.	117.1	123.4	.....	—
Property Fd	171.0	180.2	.....	—
Managed Pen. Fd.	245.3	258.5	−2.6	—
Equity Pension Fd	182.6	192.4	−4.2	—
Fixed Int. Pen. Fd	162.9	171.7	−0.9	—
High Yield Pen. Fd.	161.0	169.6	−0.6	—
Money Pension Fd.	127.7	134.5	+0.3	—
Property Pension Fd.	126.9	133.7	.....	—
Gresham/Framlington				
American & Gen. Fd.	262.1	276.2	−0.8	—
Income Fd	176.5	186.0	−1.6	—
Int'l. Growth Fd	273.3	288.0	−0.9	—
Capital Fund	187.9	198.0	−1.0	—
Recovery Fund	143.6	151.3	−0.3	—

Growth & Sec. Life Ass. Soc. Ltd.
48, London Fruit Exchange, E1 6EU 01-377 1122

Flexible Finance	1,526	204.0	.....	—
Landbank Secs.	66.15	162.9	.....	—
Landbank Secs. Acc.	185.6	190.4	.....	—
G. & S. Super Fd.	£11.376	122.5	.....	—

Guardian Royal Exchange
Royal Exchange, EC3. 01-283 7101

Guardian Assurance

Property Bonds	305.6	318.3	.....	—
GRE Linked Assurance Ltd.				
Managed Initial	201.0	[illegible]	−1.3	—
Do. Accum	223.1	[illegible]	−1.4	—
Equity Initial	244.9	[illegible]	−1.7	—
Do. Accum	271.8	[illegible]	−1.7	—
Fixed Int. Initial	190.1	[illegible]	+1.9	—
Do. Accum.	213.0	[illegible]	+2.2	—
Intnl. Initial	215.8	[illegible]	−0.5	—
Do. Accum	239.6	[illegible]	−0.6	—
North American Initial	101.6	107.[illegible]	−0.3	—
Do. Accum	102.7	[illegible]	−0.3	—

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

Wren Commodity Management Ltd.
10, St. George's St., Douglas IoM 0624 25015

Wren Com. Fund	23.8	24.8	.....	—
Chinese Fund	65.3	67.8	.....	—
Precious Metal Fund	121.1	126.1	.....	—
Vanguard Cmdy Fd.	37.1	38.1		—
Financial Futures Fd.	82.2	85.6		—
Wren Intl. Fnd.*	$0.493	0.513	.....	—

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. n Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. φ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. § Yield column shows annualised rate of NAV increase.

COMMODITIES AND AGRICULTURE

NFU seeks national quotas for milk levy

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

A NEW approach to solving the EEC's milk surplus problem was put forward by the National Farmers' Union (NFU) yesterday. The NFU suggests that levies penalising farmers for producing surplus milk should be based on production quotas for individual member countries of the Community.

Under the scheme, each member country would have the choice, within EEC rules, of what method was used to raise to levy.

The commission's original reform package suggested that a so-called "super" levy would be 75 per cent of the guaranteed price for extra production of milk above that of 1981 output, plus 1 per cent. This would be applied to individual farms.

There would also be a levy designed to hit, in particular, those farmers who made use of compounds or cereal substitutes rather than forage as the basis of their output.

The NFU proposed, in effect, that tha levies should be based on national standard quantities. These are no new thing.

Hhey were instituted in the UK in the early 1960s as an alternative to quotas fixed on individual farms.

The meant that the penalties of overproduction were shared by all producers. This saved the Government from having an open-ended guarantee bnt in no way inhibited the increase of milk production which rose by 26 per cent between 1960 and 1975.

When the standard quantities were first brought in there were a minority of farmers who were in favour of quotas for each farm, as happens in several other countries. Bnt they were overruled by the Milk Marketing Board and the majority of farmers whe preferred the expansionary road.

It is obvious that a majority of dairy farmers in the NFU are still of the same opinion when faced with the EEC's demands to reduce the costs of the dairy regime.

The NFU seems to pay little heed to the almost certain objections from the rest of the community to any scheme which is based on national responsibilities.

It would completely undermine the principles of a Common Market in farm products and signal the end of the Common Agriculture Policy in its present form.

Commodity values likely to rise 10%

COMMODITY prices are expected to rise by an average 10 per cent this year, reversing the 33 per cent slide in prices of 1980-82, according to the Bank of America.

Tha bank'o quarterly report on commodity prices says the overall increase will be led by a 15 per cent boost in industrial commodity prices.

The U.S. economic upturn has not had such a significant impact on agricultural commodity prices, but the Government acreage restriction programme, along with poor weather, are expected to raise prices at about half the rate of industrial commodities.

"In 1984 we expect commodity prices to increase by a further 6 per cent," says Ms Margo Rich Ogus, head of tha hank'a commodity analysis team. "Though more moderate, this growth will reflect the broad-based improvements in the U.S. economy and the spread of the economic recovery to Europe and Japan."

The Bank of America commodity price index, which charts commodity price activity since 1972, is expected to reach 102 by the end of 1983 and 106 by the end of 1984, up from 86 at the end of 1982.

● THE ROYAL Smithfield Show has attracted record entries in all livestock classes.

● RUBBER shares on the Kuala Lumpur stock exchange reacted favourably to market speculation about a possible reduction in rubber export duties in the 1984 budget.

● WORLD production of the 10 major ellseeds will decline 10.2 per cent to an estimated 158.23m tonnes in 1983-84, the largest fall since the second world war.

● CUBA HAS almost sold out ef nickel for the rest of 1983, according to a statement from the European trading arm of Cabaniquel.

Better prospects for forest products

BY ANTHONY McDERMOTT IN GENEVA

PROSPECTS FOR forest products are improving after three years of declining markets. The recovery is uneven so far but is emerging most clearly in North America.

A report by the timber committee of the United Nations Economic Commissions for Europe, which represents all the European countries, the U.S., Canada and the Soviet Union, says the overall picture is encouraging.

The recovery is sawn softwood production and exports in Europe is expected to be appreciably stronger than the risa in domestic requirements and imperts.

Production is projected at 71.9m cubic metres, up 5.5 per cent on 1982, whila exports are expected to rise by 8 per cent to 22.8m cu metres.

Small increases are forecast next year in European domestic requirements and production, with the former rising hy 800,000 cu metres to 75.7m, and the latter by 1m cu metres to 72.9m. Exports are expected to increase marginally to 23m cu metres and imports to fall slightly to 25.6m cu metres.

Domestic requirements for coniferous logs is expected to rise by 4.5 per cent to 126.5m cu metres next year, consolidating this year's recovery in tha market.

The committee's report says the three-year decline in European and North American sawn hardwood reached its low point last year when European consumption fell back to the average level of the 1970s in Europe and far below it in North America. Since then, however, the economic recovery has been reflected in increased demand from the residential construction and furniture manufacturing sectors.

The committee expects the modest recovery in demand in Europe this year to continue next year. Domestic requirements and production are expected to go up by 2 per cent. Imports are expected to increase slightly while exports will go down by 5 per cent.

Demand for wood-laced panels has fallen in the last three years but staged a partial recovery last year.

The report noted that 1982 had been an unsatisfactory year worldwide for the pulp and paper sector. Production of almost all grades of pulp, paper and paperboard had dropped significantly in both Europe and North America. European demand is expected to rise by 5 per cent this year to 163.3m cut metres.

European pulpwood requirements in 1984 are expected to rise by 3 per cent to 168m cu metres while U.S. demand is expected to go np by 5 per cent to 207m cu metres.

Cocoa increase made despite 'uncertainties'

By Our Abidjan Correspondent

IVORIAN cocoa producer prices have been raised 17 per cent to FCfa 350 per kilo, the first increase for four years, following a ministerial meeting in Abidjan on Monday.

Coffee producer prices were raised 17 per cent te FCfa 175 per kilo. The 1983-84 cocoa and coffee seasons were also formally opened on October 17.

The epening was announced three days after President Boigny's return te Abidjan after a five-month working holiday. The season has started six weeks later than usual, traders pointed eut.

A Government communiqne said the price increases were made despite "market uncertainty" and were intended to restore farmers' lost purchasing power. Local observers said that the increases were the "bare minimum" expected by farmers.

The communique contained no forecast fer the 1983-84 cocoa and coffee crops and a wide gap remains between Government and industry estimates.

● Members ef the Cocoa Producers' Alliance are reportedly meeting privately in Gebon to discuss preparations for a new internatioal cocoa pact.

Crude futures market sets 500-lot target

BY JOHN EDWARDS, COMMODITIES EDITOR

THE LONDON crude oil futures market, to be launched on November 21, has set itself a modest opening target of achieving a turnover of 500 lots (each of 1,000 barrels) daily within six months, according to Mr Robin Woodhead, chairman of the International Petroleum Exchange.

But Mr Woodhead said they had high hopes of becoming the leading commodity futures market in London in the years ahead as crude oil futures had tremendous potential.

He claimed that five of the seven major oil companies were already trading futures intermittently and turnover on the New York market had surged ahead, exceeding the Opec daily oil production on two occasions.

Mr Michael Bowers, chief executive of the International Petroleum Executive, added that oil was the world's most vulnerable and largest internationally traded cash commodity with an annual value in excess of $300bn — 80 per cent of which was crude.

The new market will be based on Brent blend as a marker crude delivered in Rotterdam or Amsterdam, with othar light, low sulphur crudes from the North Sea, Nigeria, Algeria and Tunisia deliverable at premiums er discounts to be fixed by the exchange based on transactions in the physical market.

However, a notable feature of the market is that the contract terms provide for an alternative delivery procedure, under which the buyers and sellers may agree between themselves to any other crude, or port of delivery, being used to closa out futures positions.

This should give the market considerable flexibility. First delivery month will be February, but the alternative delivery procedure, which is expected to appeal to hig users, will start from January.

The market will trade six months ahead and the contract unit will be lots of 1,000 barrels (42,000 U.S. gallons) quoted in dollars.

It is expected that the similarities between Brent hlend and oils traded on the New York and Chicago markets will encourage arbitrage between the U.S. and London.

Shortages boost Philippines copra prices

BY OUR MANILA CORRESPONDENT

THE EFFECTS of last year's drought and the peso devaluation are causing a shortage of copra and dealers are jecking up prices, the United Coconut Association of the Philippines said.

The association reported that copra dealers were quoting 470 pesos (£22.46) per 100 kilograms on Saturday, against Friday's price of 450 pesos (£21.51) for delivery in Manila oil mills.

The Philippines suffered an eight-month drought which was broken in May. The association said the drought is likely to cut its annual copra production to 1.7m tonnes while demand would be around 1.9m tonnes. Last year's production was 2.1m tonnes.

The associatien also said that because of the peso devaluation by 21.4 per cent against the U.S. dollar, sellers are hoarding in expectation of higher prices in the future.

Price rumours push up zinc values

By John Edwards

RUMOURS of another rise in the European producer price, pushed zinc values higher on the London Metal Exchange yesterday. Cash zinc closed £5.75 up at £580.25 a tonne.

Reuter reported from The Hague that Billiton Metals had said the company was "prepared to accept" a rise in the European zinc producer price from its present level of $880 to $915 a tonne as a basis for pricing the zinc content in concentrates.

The company added that the basis would be effective immediately if other European producers fell into line

The European zinc producer price has already been raised three times this year, from $780 to $880, reflecting higher prices in North America and a world shortage of special high grade zinc supplies.

A general move to $915, following Billiton's statement, seems mere than likely to materialise as producers claim they are still not making much money at present levels.

Meanwhile, St Joe Minerals announced in St Louis last night that it was raising its price for corroding grade lead by 2 cents to 27 cents a pound.

Potatoes close lower

BY OUR COMMODITIES STAFF

PRICES ON the potato futures market were down for the second day running yesterday, with tha April position closing at £216 a tonne, down £10.20 on yesterday's close.

Brokers said the falling prices had been triggered hy the current lifting of the late crop. Some farmers have reported late development of the the crop but output is still expected to be very low.

The potato crop this year has been severely damaged hy bad weather.

The forthcoming expiry of the November position is expected to attract a large number of deliveries and this has also contributed to the fall in prices.

PRICE CHANGES

In tonnes unless stated otherwise	Oct. 18 1983	+ or —	Month ago		Oct. 18 1983	+ or —	Month ago
Metals				**Oils**			
Aluminium	£1050		£1050	Coconut (Phil)	$890u		$980
Free Mkt.	$1600/1630		$1676/160	Groundnut	$1100x		‡
Copper				Linseed Crude	‡		£521.60
Cash h grade	£974.6	+19	£1021	Palm Malayan	$680u		$670
3 mths	£999.25	+11	£1048.75	**Seeds**			
Cash Cathode	£950.25	+11.75	£990	Copra Phil	$580x	—10	‡
3 months	£974.75	+11.25	£1018	Soyabean (U.S.)	$348x	—2.9	$356.5
Gold troy oz	$396.875	+2.25	$411.875	**Grains**			
Lead Cash	£284.25	+1	£262.625	Barley Fut. Jan	£120.20	—0.40	£118.10
3 months	£292.375	+1.25	£272.75	Maize	£146.00x		£144.50
Nickel	£4646.34		£4646.34	Wheat Fut. Jan	£123.80	+0.30	£122.30
Free mkt.	212/232c		220/236c	No2 Hard Wint	‡		‡
Palladium oz.	$145.75	—0.25	$153.75	**Other commodities**			
Platinum oz.	£226.50	+1.35	£227.05	Cocoa ship't*	£1483	+11	£1577.5
Quicksilver†	$320/330		$290/300	Fut. March	£1432.5	+4	£1525.5
Silver troy oz.	674.20p	—17.75	785.80p	Coffee Ft. Jan.	£1891.5	—11.5	£1742.5
3 mths	689.60p	—17.85	804.50p	Cotton A. Index	87.65c	+0.4	89.50c
Tin cash	£8632.5	—15	£8435	Gas Oil, Nov.	$253.75	+1.5	$257.5
3 month	£8621	—14	£8530.5	Rubber (kilo)	79p	+1.25	74p
Tungsten	$85.79	+9.47	$72.17	Sugar (Raw)	£162.5xu	—0.5	£150
Wolfr'm 22.04 lb	$78.83		$79.83	Woolt'ps 64 s.	400p kilo		400p kilo
Zinc Cash	£580.25	+5.75	£547				
3 mths	£593.75	+5	£562.25				
Producers	$880		$880				

‡ Unquoted. w Nov. u Dec. v Jan. x Oct-Nov. y Nov-Dec. † Per 76 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.65-28.75	—
Iranian Light	28.00-28.20	—
Arabian Heavy	26.65-26.75	—
North Sea (Forties)	29.60-29.75	—0.05
North Sea (Brent)	29.75-30.00	—0.20
African (Bonny Li'ht)	29.80-30.00	—0.05
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	293-295	—
Gas oil	249-256	+2.5
Heavy fuel oil	168-171	—

GAS OIL FUTURES

Firmness in physicals kept the market quietly steady throughout the day in moderate volume. A failure to follow-through on the upside attracted some selling towards the end of the day, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Oct.	249.00	+1.00	250.00-48.00
Nov.	253.75	+1.50	254.50-53.25
Dec.	255.75	+1.50	256.50-56.25
Jan.	256.00	+1.75	256.50-55.75
Feb.	255.25	+1.50	255.75-53.25
Mar.	248.25	+1.25	248.50-48.00
April	245.00	+1.25	245.00-
May	243.50	—0.50	—
June	244.00	—2.00	—

Turnover: 2,201 (1,942) lots of 150 tonnes.

GOLD MARKETS

Gold rose $2¼ to $396¾-397¼ in the London bullion market. It opened at $397¼-398, and was fixed at $396¾ in the morning, and $397¼ in the afternoon. The metal touched a peak of $397-$397¾, and fell to a low of $395¾-$396¼.

In Paris the 12½ kilo gold bar was fixed at FFr 101,350 per kilo ($396.90 per ounce) in the afternoon, compared with FFr 101,350 ($399.53) in the morning, and FFr 102,600 ($402.24) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 32,980 per kilo (396.96 per ounce), compared with DM 33,490 ($400.77) and closed at $397-397½, against $394½-395.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $397 per ounce, compared with $400.75.

In Zurich gold finished at $396-399, against $393-396.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	$ per troy ounce		
Oct.	396.00-01.0	+4.00	—
Dec.	401.20-01.3	+1.75	402.30-99.1
Feb.	406.90-07.0	+1.70	—
April	410.50-14.7	+2.10	—
June	410.50-21.2	+1.85	—
Aug.	426.00-27.7	+1.85	—

Turnover: 556 (522) lots of 100 troy ounces.

	Oct. 18		Oct. 17	
Gold Bullion (fine ounce)				
Close	$396 397¼	(£264-264½)	$394¼-395	(£262¾-263¼)
Opening	$397¼-398	(£264¼-264¾)	$401¼-402	(£266¾-267¼)
Morning fixing	$396.75	(£264.695)	$400.60	(£266.644)
Afternoon fixing	$397.25	(£264.657)	$395	(£262.686)

Gold Coins Oct. 18					
Krugrnd	$409-409½	(£279½-273)	King Sov	$94½-96	(£63-64)
½ Krg	$211-211¼	(£140½-141)	Victoria Sov	$94½-96	(£63-64)
¼ Krg	$107½-108¼	(£71¾-72¼)	French 20s	$80½-82½	(£53¾-56)
1/10 Krug	$44-44¾	(£29¼-29¾)	50 pesos Mex	$482-484	(£321¼-322½)
Mapleleaf	$409-409½	(£272½-273)	100 Cor. Aust	$387-391	(£258-260½)
New Sov	$93½-94¼	(£62¼-62¾)	$20 Eagles	$505-600	(£390½-399¾)
½ New Sov	$56-56¾	(£37¼-37¾)			

EUROPEAN MARKETS

ROTTERDAM, October 18.

[illegible]

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES gained ground on the London Metal Exchange. COPPER dipped to £989.5 in initial trading but subsequently rallied strongly to close the late kerb at £1003 following a strong opening on Comex which prompted short covering. LEAD closed at £296 amid rumours of American producer price rises while ZINC was finally quoted at £593.5, also reflecting talk of imminent producer price increases.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	965-.6	—7.75	974-.5	+19
3 months	990-.1	—8.75	999-.5	+11
Settlem't	966	—7.5	—	—
Cathodes				
Cash	943-4	—8	950-.5	+11.5
3 months	967.5-8	—7	974.5-5	+11.5
Settlem't	944	—8	—	—
U.S. pro'd	—	—	*71.5-5	.....

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £965.50, three months £992, 91.50, 91, 90.50, 90, 90.50, 91.50, 91, 90.50, 90, 91, 90.50. Cathodes: Cash £943, three months £966. Kerb: Higher Grade: Three months £990.50, 91. Afternoon: Higher Grade: Three months £997, 96.50, 97, 98, 98.50, 98, 1000, 999.50. Cathodes: Cash £950. Kerb: Higher Grade: Three months £999.90, 1000, 01, 02, 03, 02, 01, 1000, 1000.50, 01, 01.50, 02, 03. Turnover 31,575 tonnes.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	8720-5	—2.5	8725-35	—12.5
3 months	8725-30	—2.5	8715-20	—.25
Settlem't	8725	—5	—	—
Standard				
Cash	8635-40	+7.5	8630-5	—15
3 months	8635-6	+20.5	8620-2	—14
Settlem't	8640	+5	—	—
Straits E.	$30.20	+0.11	—	—
New York				

Tin—Morning: Standard: Three months £8630, 35, 40, 36, 40, 39, 36, 35, 36. High Grade: Cash £8725, three months £8720. Kerb: Standard: Three months £8635, 30, 25, 26, 30. Afternoon: Standard: Three months £8626, 20. High Grade: Three months £8715. Kerb: Standard: Three months £8620. Turnover 3,385 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	282.5-3	+1.5	285-.5	+1
3 months	290.5-1	+2	292.25-.5	+1.25
Settlem't	283	+1.5	—	......
U.S. Spot	—	......	*25-8	......

Lead—Morning: Three months £292.50, 93, 91.50, 91, 90, 90.50. Kerb: Three months £290.50, 91. Afternoon: Three months £292, 91, 90.50, 91, 91.50, 92, 92.50, 93, 92.50, 92.25. Kerb: Three months £295, 96, 96.50, 96, 95, 96, 96.50. Turnover 11,275 tonnes.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	575-.6	—1.5	580-.6	+5.75
3 months	589-.5	—1.5	593.5-4	+5
Settlem't	575.5	—1.5	—	......
Primw'ts	—	......	*46-.76	......

Zinc—Morning: Three months £589, 90, 89.80, 89, 88, 88.90, 89. Kerb: Three months £589, 89.50. Afternoon: Three months £591, 91.50, 93, 93, 93.50, 94. Kerb: Three months £594, 94.50, 94, 95, 94. Turnover 14,750 tonnes.

ALUMINIUM

Aluminium	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	1055-.5	—5	1059-60	+1
3 months	1084-.5	—4	1087-8	+1

Aluminium—Morning: Cash £1055.50, three months £1084, 85, 84.50, 85, 84, 85, 84.50, 84. Kerb: Three months £1084, 85, 84.90, 84. Afternoon: Three months £1087, 89, 90, 89.50, 88, 87, 92, 91.50, 91, 91.50. Turnover 33,150 tonnes.

NICKEL

Nickel—Morning: Three months £3230, 20, 18, 15, 10, 18. Kerb: Three months £3220. Afternoon: Three months £3235, 30, 35, 40, 50. Kerb: Three months £3250. Turnover 936 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3140-9	—32.5	3170-5	+7
3 months	3218-20	—28.5	3245-50	+12

* Cents per pound. ‡ M$ per kilo. † On the previous unofficial close.

SILVER

Silver was fixed 17.75p an ounce lower for spot delivery in the London bullion market yesterday at 674.20p. U.S. equivalents of the fixing levels were: spot $10.115, down 28.5c; three-month $10.355, down 28.5c; six-month $10.601, down 30.1c; and 12-month $11.113, down 30.9c. The metal opened at 674-676p ($10.13-10.17) and closed at the same level.

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	674.20p	—17.7	677.5p	+7.25
3 months	689.60p	—17.8	693.5p	+7.45
6 months	705.60p	—18.7	—	......
12 months	738.00p	—19.5	—	......

LME—Turnover 77 (70) lots 10,000 ozs. Morning: Three months 689.0, 90.5, 91.0. Kerb: Untraded. Afternoon: Three months 692.5, 93.0. Kerb: Three months 694.0, 95.0.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.0 per cent, $ per tonne, in warehouse 1940/1980.

BISMUTH: European free market, min 99.99 per cent, $ per pound, tonne lots in warehouse 1.73/1.85.

CADMIUM: European free market, min 99.95 per cent, $ per pound, in warehouse, ingots 0.82/0.88, sticks 0.82/0.90.

COBALT: European free market, 99.5 per cent, $ per pound, in warehouse 5.60/5.70.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse 323/328.

MOLYBDENUM: European free market, canned molybdic oxide, $ per pound Mo, in warehouse 3.50/3.95.

SELENIUM: European free market, min 99.5 per cent, $ per pound, in warehouse 4.15/4.80.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif 90/82.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per pound V_2O_5, cif 1.90/1.95.

Producer list price for selected metals as recorded in Metal Bulletin.

ALUMINIUM: World: virgin ingots Alcan, min 99.6 per cent, $ per tonne, cif Hong Kong and Rotterdam 1750.

BISMUTH: UK: MCP-Peko, 99.99 per cent, $ per pound, tonne lots, ex-warehouse 2.30.

COBALT: World, Zaire: Sozacom, $ per pound 12.50.

NICKEL: World, Inco, melting grade, $ per pound, cif Far East and America, delivered rest of world 3.20.

URANIUM: Nuexco exchange value, $ per pound U_3O_8 24.00.

VANADIUM: Highveld fused min 98 per cent V_2O_5, $ per pound V_2O_5, cif 2.30.

ZINC: GOB producer basis, $ per tonne 880.

COFFEE

COFFEE	Yest'day's Close	+ or —	Business Done
Nov.	1908-10	—13.0	1927-09
January	1891-92	—11.5	1905-91
March	1795-96	—16.0	1819-92
May	1742-43	—9.9	1750-42
July	1706-07	—7.0	1715-05
Sept.	1674-77	—1.5	1680-76
Nov.	1643-45	—6.0	1650-45

Sales: 2,196 (2,804) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for Oct 17: Comp daily 1979 136.93 (136.02); 15-day average 133.38 (132.77).

In quiet conditions new contract highs were established in some positions during early dealings, reports Drexel Burnham Lambert. Prices consolidated in a narrow range until the close when commission house selling prompted a weaker finish.

GRAINS

Business done—Wheat: Nov 121.00-19.90, Jan 124.10-3.20, Mar 127.00-6.05, May 130.00-29.05, July 132.75-1.75, Sept 117.75 only. Sales: 464 lots of 100 tonnes. Barley: Nov 117.40-6.90, Jan 120.55-0.10, Mar 123.25-3.00, May 125.10-5.00, Sept untraded. Sales: 135 lots of 100 tonnes.

	WHEAT		BARLEY	
Mnth.	Yestrday's close	+ or —	Yest'day's close	+ or —
Nov.	120.65	+0.35	117.10	—0.30
Jan.	123.80	+0.30	120.20	—0.40
Mar.	126.65	+0.30	123.00	—0.25
May	129.70	+0.35	125.00	—0.15
July	132.55	+0.40	—	—
Sept.	117.75	—	115.75	—

HGCA—Locational ex-farm spot prices. Feed barley: S East 119.00, W Mids 119.60, N West 116.10. The UK monetary coefficient for the week beginning Monday October 24 (based on five days exchange rates) is expected to remain unchanged.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 14 per cent Oct 134.50, Nov 135.50, Dec 136.50 trans shipment East Coast quoted. English fed fob Nov 124.50, Dec 126 East Coast sellers. Maize: French Oct-Nov 146 East Coast sellers. Barley: English feed fob Nov 122 East Coast sellers. Rest unquoted.

POTATOES

A weak opening triggered stop-loss selling for prices to settle around £218.50 basis April during the morning until falling further as Dutch futures dropped during the afternoon, reports Coley and Harper.

Month	Yestday's close	Previous close	Business Done
	£ per tonne		
Nov.	151.50	155.80	154.00-151.0
Feb.	181.00	189.30	184.00-182.0
April	218.00	226.20	220.00-215.5
May	220.90	230.50	224.00-220.5
Nov.	81.50	81.50	—

Sales: 1,386 (1,112) lots of 40 tonnes.

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

COCOA

Although dnn lower, futures opened on a steady note and maintained these levels through to the close. Physicals were trading actively, both cocoa beans and products attracting keen interest, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Dec.	1427-28	+11.8	1434-16
March	1432-33	+4.0	1440-28
May	1445-46	+5.0	1451-40
July	1459-60	+3.5	1465-60
Sept.	1470-72	+5.5	1478-70
Dec.	1485-88	+9.0	—
March	1495-06	+8.0	—

Sales: 3,157 (3,081) lots of 10 tonnes. ICCO—Indicator prices (U.S. cents per pound). Daily price for Oct 19: 94.24 (94.11); five-day average for Oct 19: 95.09 (95.52).

SUGAR

LONDON DAILY PRICE—Raw sugar £162.50 (163.50) a tonne for Oct-Nov-Dec shipment. White sugar £176.00 (£177.00).

Prices again tended to drift in very quiet trading conditions, reports C. Czarnikow.

No.4 Contract	Yest'day's close	Previous close	Business done
	£ per tonne		
Dec.	175.00-76.00	175.25-75.50	176.00-74.75
Mar.	182.50	182.15-82.35	184.50-81.00
May	187.00-88.00	187.25-87.50	188.00-86.25

Sales: 1,386 (1,780) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £272.50 (£273.00) a tonne for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean ports). Prices for Oct 17: Daily price 10.08 (10.06); 15-day average 9.94 (9.85).

INDICES

FINANCIAL TIMES

Oct. 17	Oct. 14	M'th ago	Y'ar ago
289.58	290.15	288.63	930.12

(Base: July 1 1952=100)

REUTERS

Oct. 18	Oct. 17	M'th ago	Y'ar ago
1903.5	1902.0	1878.1	1514.8

(Base: September 18 1931=100)

MOODY'S

Oct. 17	Oct. 14	M'th ago	Year ago
1056.5	1041.1	1061.1	980.6

(Base: December 31 1974=100)

DOW JONES

Dow Jones	Oct. 17	Oct. 14	Month ago	Year ago
Spot	—	140.29	142.75	135.46
Fut's	—	146.86	150.34	136.00

(December 31 1931=100)

COTTON

LIVERPOOL—Spot and shipment sales amounted to 80 tonnes. Minor contracts were under review, but support was forthcoming in South American styles. Middle Eastern styles were in modest request and users adopted a very cautious tone.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Oct 549.6, 552.0, 555.0-550.0; Dec 562.0, 563.0, 564.0-562.0; March 581.5, 582.0, 583.0-581.5; May 594.0, 596.0, 594.0; July 606.9, 608.0, 608.0-606.9; Oct 602.0, 604.0, 604.0-602.0; Dec 612.0, 614.0, 612.0-611.0; March 622.0, 625.0, 622.0. [illegible]

MEAT/FISH

[illegible]

AMERICAN MARKETS

NEW YORK, October 18

Copper prices finished fractionally up after trading higher the entire day: late arbitrage selling against sterling eroded most of the early gains. Heating oil prices were virtually unchanged with moderate pressure inflicted by traders concerned about the bearish weather prospects. Cotton prices continued to rally on reports of damage to the Texan crop: higher levels, however, attracted increased trade selling. Sugar prices were lower on heavy selling by a computerised trading fund and took out important points of technical support: failure of the spot market to react to rumours of cash purchases by Cuba triggered commission house selling. Cocoa prices were firm early on manufacturer buying, but late in the day prices sold off on profit-taking and finished about unchanged. Coffee was under heavy pressure as the market failed to react to the minimum price announced by Brazil. Precious metals sold off late in the session as long liquidation set in: both gold and silver are looking for direction. Grains and soyabeans repeated the previous day's performance of a late sell-off; the only grain finding support was wheat which benefitted from unwinding of spreads against Maize, reports Heinold Commodities Ltd.

NEW YORK

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
Dec	1959	1960	1948	1948
March	1989	2005	1978	1974
May	2008	2030	2008	2001
July	2027	2055	2027	2020
Sept	2060	2060	2060	2045
Dec	2090	—	—	2062

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
Dec	142.48	43.83	41.85	143.83
March	138.80	38.75	38.00	138.70
May	134.56	34.85	34.15	134.90
July	131.88	32.90	31.85	131.75
Sept	129.00	29.50	29.00	128.75
Dec	127.25	27.00	26.50	126.50
March	124.76	24.50	24.50	123.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Oct	65.0	—	—	65.70
Nov	50.19	—	—	66.65
Dec	66.60	67.40	66.40	66.60
Jan	67.30	68.00	68.00	67.30
March	68.65	69.40	68.00	68.70
May	70.05	70.75	69.90	70.10
July	71.40	72.15	71.50	71.45
Sept	72.75	73.20	72.95	72.85
Dec	74.95	75.70	75.05	75.00
Jan	75.55	76.50	76.00	75.70

COTTON 50,000 lb, cents/lb

	Latest	High	Low	Prev
Dec	78.30	78.83	78.24	78.20
March	79.43	79.96	79.40	79.38
May	80.12	80.50	80.10	80.10
July	80.55	80.80	80.45	80.40
Oct	75.65	75.80	75.45	75.35
Dec	74.72	74.95	74.66	74.55
March	75.40	—	—	75.40

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	396.3	399.0	395.6	397.4
Nov	397.1	—	—	398.3
Dec	400.3	403.2	399.7	401.6
Feb	406.5	409.0	406.0	408.0
April	413.1	416.6	413.0	414.8
June	420.9	423.0	420.3	421.8
August	427.0	428.6	427.0	428.7
Oct	434.1	—	—	435.9
Dec	441.4	442.0	442.0	443.3
Feb	449.0	—	—	451.0
April	456.8	—	—	458.9
June	464.8	—	—	467.9

[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	10.58	10.70	10.70	10.90
March	10.99	11.27	10.96	11.27
May	11.40	11.61	11.32	11.60
July	11.68	11.90	11.64	11.96
Sept	11.88	12.06	11.88	12.03
Oct	12.06	12.24	12.08	12.21
Jan	13.06	13.05	13.06	13.10

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	60.90	61.20	60.85	61.17
Dec	56.07	60.27	59.77	60.17
Feb	59.92	60.25	59.72	60.07
April	62.12	62.40	61.95	62.25
June	64.32	64.40	64.50	64.35
Aug	63.37	63.46	63.15	63.46

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Oct	41.52	41.90	41.32	41.37
Dec	42.35	42.55	41.90	42.07
Feb	46.35	46.77	46.15	46.52
April	46.02	46.35	45.60	46.10
June	51.45	51.65	51.02	51.30
July	53.40	53.45	52.85	53.25
Aug	52.00	52.60	52.00	51.86
Oct	51.20	51.90	51.20	51.00
Dec	52.30	52.30	52.30	52.20

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Dec	346.5	350.0	346.8	350.4
March	348.8	350.4	347.4	350.2
May	350.2	351.8	349.2	350.6
July	347.6	349.2	346.6	347.4
Sept	317.9	319.0	316.9	316.2
Dec	296.2	297.8	294.6	294.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	61.90	61.95	60.80	61.37
March	61.57	61.95	60.85	61.50
May	63.35	63.65	62.70	63.25
July	63.52	64.10	63.10	63.62
Aug	62.10	62.80	61.90	62.22

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Nov	869.4	883.4	866.6	879.4
Jan	885.4	899.4	880.0	898.4
March	901.9	914.0	898.0	912.0

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stabilises at lower levels

The dollar continued to lose ground in currency markets yesterday but once again finished above the worst levels of the day. The dollar's fall has been encouraged recently by better U.S. money supply figures but the extent of any dollar decline has been limited by current Middle East tension and the lack of any evidence that the Federal authorities are likely to ease monetary policies, especially in view of continued economic recovery.

Sterling lost ground initially but then showed little movement during the day.

DOLLAR — Trade weighted index (Bank of England) 125.6 against 122.8 six months ago. The dollar has retreated from the peaks touched in August, amid hopes that a sustained fall was imminent, following better money supply figures and a slight easing in interest rates. A large U.S. budget deficit is likely to restrain the fall in interest rates and the dollar, but downward pressure on the currency will continue due to the substantial trade deficit.

The dollar closed at DM 2.5845 down from DM 2.6030 on Monday but above the day's low of DM 2.5785. Against the Swiss franc it fell to SwFr 2.0985 from SwFr 2.1100 and Y232.25 compared with Y233.0. It was also weaker against the French franc at FFr 7.9030 from FFr 7.9550.

STERLING — Trading range against the dollar in 1983 is 1.6245 to 1.4540. September average 1.4991. Trade weighted index 83.3 unchanged all day and compared with 83.6 on Monday and 83.8 six months ago. The pound has tended to move with the dollar recently, although a decline against Continental currencies is probably welcomed. It has also reacted to Middle East tension and its effect on oil supplies, highlighting the pound's status as a petrocurrency.

Sterling traded between $1.4975 and $1.5045 against the dollar and closed at $1.5000-1.5010, a fall of 10 points. Against the D-mark it fell to DM 3.88 from DM 3.91 and SwFr 3.15 from SwFr 3.1725. It was also lower against the yen at Y348½ from Y350.0 and FFr 11.8550 compared with FFr 11.9425.

D-MARK — Trading range against the dollar in 1983 is 2.7315 to 2.3320. September average 2.6683. Trade-weighted index 127.6 against 129.8 six months ago. Until the recent easing of U.S. money supply the D-mark had been at its lowest level for nearly 10 years against the dollar, reflecting the large differential in interest rates. However there now appears to be a gradual shift in emphasis towards economic fundamentals, with the German currency looking increasingly attractive on this basis.

The D-mark improved against the dollar at the Frankfurt fixing in quiet, featureless trading. The U.S. currency fell to DM 2.5847 from DM 2.5967 without any intervention by the Bundesbank. Sterling fell to DM 3.8790 from DM 3.9050.

JAPANESE YEN — Trading range against the dollar in 1983 is 246.90 to 226.80. September average 242.44. Trade-weighted index 153.0 against 146.1 six months ago. The yen was recovering slightly faster than most European currencies against the dollar, until stepped by interest rate differentials and concern about Gulf oil supplies. A strong trade performance and buoyant equity market have added to the attractions of the Japanese currency.

The yen drifted sideways in quiet Tokyo trading, reflecting the reluctance of dealers to trade because of doubts about the future direction of U.S. and Japanese interest rates. Despite official denials rumours persist of a cut in the Bank of Japan discount rate this week, as part of a broader package to boost the economy. The dollar closed at Y232.05, unchanged from Monday, after moving in a narrow range of Y231.90 to Y232.35.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU October 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.9107	+2.25	+1.88	±1.5447
Danish Krone ...	8.14104	8.15479	+0.17	−0.20	±1.6425
German D-Mark	2.24184	2.25111	+0.41	+0.04	±1.0642
French Franc ...	6.87456	6.88486	+0.15	−0.22	±1.4052
Dutch Guilder ...	2.52595	2.52548	−0.02	−0.39	±1.4964
Irish Punt	0.72569	0.726140	+0.06	−0.31	±1.6699
Italian Lira	1403.49	1369.87	−2.40	−2.40	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

Oct. 18	£	$		£ Note Rates
Argentina Peso...	121.64-81.71	14.43-14.46	Austria	27.20-27.50
Australia Dollar...	1.6385-1.6345	1.0900-1.0905	Belgium	80.00-80.80
Brazil Cruzeiro...	1,166.25-1,167.86	776.0-780.0	Denmark	13.99-14.15
Finland Markka...	8.4165-8.4400	5.6180-5.6230	France	11.81-11.91
Greek Drachma...	138.65-139.25	92.20-92.50	Germany	3.86-3.90
Hong Kong Dollar	11.73-11.84	7.84-7.89	Italy	2345-2375
Iran Rial	130.10*	86.60*	Japan	348-363
Kuwait Dinar (KD)	0.43445-0.43480	0.28962-0.28967	Netherlands	4.33-4.37
Luxembourg Fr.	78.05-79.15	52.72-52.74	Norway	10.88-10.98
Malaysia Dollar	3.5140-3.5240	2.3425-2.3445	Portugal	182-211
New Zealand Dlr.	2.2525-2.2676	1.5035-1.5060	Spain	219¼-233¼
Saudi Arab. Riyal	5.2195-5.2240	3.4798-3.4801	Sweden	11.61-11.71
Singapore Dollar	3.1875-3.2075	2.1315-2.1336	Switzerland	3.15½-3.16½
Sth. African Rand	1.6776-1.6790	1.1180-1.1190	United States	1.49-1.50
U.A.E. Dirham	5.5080-5.5130	3.6720-3.6730	Yugoslavia	195-215

* Selling rates.

CURRENCY RATES

Oct. 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.709306	0.580322
U.S. $	8½	1.06488	0.871005
Canadian $	9.46	*	1.07286
Austria Sch	3¾	19.3643	15.8349
Belgian F	9	56.1119	45.9107
Danish Kr.	7½	9.86568	8.15479
D mark	4	2.75240	2.25111
Guilder	5	3.08752	2.52548
French F	9½	8.41621	6.88486
Lira	17	1674.79	1369.87
Yen	5½	247.372	202.160
Norwgn Kr.	8	7.74700	6.34440
Spanish Pts	—	160.238	131.088
Swedish Kr	8½	8.26388	6.75944
Swiss Fr	4	2.23465	1.83711
Greek Dr'ch	20½	98.6546	80.6808

* C$/SDR rate for Oct 17: 1.30970.

CURRENCY MOVEMENTS

Oct. 18	Bank of England Index	Morgan Guaranty Changes %
Sterling	83.3	−8.2
U.S. dollar	125.6	+14.5
Canadian dollar	91.9	+1.0
Austrian schilling	118.0	+5.9
Belgian franc	90.9	−11.9
Danish kroner	80.4	−4.7
Deutsche mark	127.6	+8.5
Swiss franc	159.8	+13.3
Guilder	116.9	+6.1
French franc	67.7	−14.5
Lira	49.9	−11.3
Yen	153.0	+10.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

THE POUND SPOT AND FORWARD

Oct 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4975-1.5045	1.5000-1.5010	0.02-0.07c dis	−0.36	0.13-0.18dis	−0.41
Canada	1.8450-1.8520	1.8465-1.8475	0.02cpm-0.08dis	−0.19	0.04-0.14dis	−0.19
Nethlnd.	4.33½-4.36½	4.35-4.36	1½-1c pm	3.44	3¾-3½ pm	3.10
Belgium	79.90-79.30	79.05-79.15	8c pm-2 dis	0.46	2 pm-8 dis	−0.15
Denmark	14.02-14.07	14.05-14.06	1.35-2.35ore dis	−1.58	4.65-5.80dis	−1.49
Ireland	1.2490-1.2550	1.2505-1.2515	0.30-0.40p dis	−3.36	0.90-1.00dis	−3.04
W. Ger.	3.87-3.89½	3.87½-3.88½	1½-1pf pm	3.86	3¾-3½ pm	3.48
Portugal	185.00-186.75	185.25-185.75	225-490c dis	−23.13	765-1375dis	−23.07
Spain	225.50-226.25	226.60-226.80*	275-330c dis	−16.08	790-910dis	−15.06
Italy	2,356-2,363	2,358-2,360	16¼-17¼ lire dis	−3.27	49½-52½dis	−6.65
Norway	10.90½-10.95½	10.91½-10.92½	3.35-4.05ore dis	−4.06	8.70-10.50dis	−3.70
France	11.84-11.88	11.85-11.86	3¾-4½c dis	−3.79	15-17 dis	−5.40
Sweden	11.63½-11.66½	11.64½-11.65½	2.40-2.95ore dis	−2.75	7.25-7.85dis	−2.58
Japan	347-350	348-349	0.90-0.80y pm	2.93	2.45-2.35 pm	2.75
Austria	27.20-27.36	27.25-27.30	8½-7gro pm	3.41	20¾-15¼ pm	2.65
Switz.	3.14-3.16½	3.14½-3.15½	1¾-1¼c pm	6.18	4¾-3¾ pm	5.24

Belgian rate is for convertible francs. Financial franc 80.45-80.55. Six-month forward dollar 0.23-0.28c dis, 12-month 0.52-0.62c dis.
* The rate for Oct 17 should have read 226.50-227.50 (spread); 226.50-226.80 (close).

THE DOLLAR SPOT AND FORWARD

Oct 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4975-1.5045	1.5000-1.5010	0.02-0.07c dis	−0.38	0.13-0.18dis	−0.41
Ireland†	1.1980-1.2016	1.1990-1.2000	0.31-0.27c pm	2.90	0.85-0.78 pm	2.72
Canada	1.2305-1.2315	1.2310-1.2315	0.04-0.02c pm	0.29	0.09-0.07 pm	0.26
Nethlnd.	2.8955-2.9030	2.9010-2.9030	0.95-0.85c pm	3.73	2.58-2.48 pm	3.49
Belgium	52.60-52.75	52.72-52.74	4½-3c pm	0.85	4-1 pm	0.19
Denmark	9.3450-9.3710	9.3600-9.3650	0.70-1.20ore dis	−1.22	2.35-2.85dis	−1.11
W. Ger.	2.5785-2.5870	2.5840-2.5850	0.93-0.88pf pm	4.20	2.48-2.44 pm	3.81
Portugal	123.50-124.20	123.60-123.90	150-320c dis	−22.79	500-900dis	−22.63
Spain	150.10-150.65	150.50-150.56	189-215c dis	−15.94	525-625dis	−15.28
Italy	1,570-1,574	1,573-1,574	11-11½ lire dis	−8.58	33-34 dis	−8.52
Norway	7.2740-7.2870	7.2820-7.2870	2.10-2.40ore dis	−3.71	5.90-6.20dis	−3.32
France	7.8800-7.9125	7.9005-7.9065	2.00-2.15c dis	−3.15	9.50-9.80dis	−4.88
Sweden	7.7480-7.7625	7.7580-7.7610	1.45-1.65ore dis	−2.40	4.20-4.40dis	−2.21
Japan	231.55-232.75	232.20-232.30	0.65-0.60y pm	3.23	1.85-1.80 pm	3.14
Austria	18.14-18.18½	18.17-18.16	5.90-5.30gro pm	3.70	15.75-13.75pm	3.25
Switz.	2.0900-2.1015	2.0980-2.0990	1.12-1.07c pm	6.26	2.92-2.87 pm	5.52

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 53.82-53.87.

EXCHANGE CROSS RATES

Oct. 14	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.501	3.880	348.5	11.855	3.150	4.358	2359.	1.847	79.10
U.S. Dollar	0.666	1.	2.586	232.3	7.901	2.099	2.902	1572.	1.231	52.72
Deutschemark	0.258	0.387	1.	89.82	3.056	0.818	1.122	608.0	0.476	20.39
Japanese Yen 1,000	2.869	4.306	11.13	1000.	34.02	9.039	12.60	6769.	5.300	227.0
French Franc 10	0.844	1.266	3.273	294.0	10.	2.657	3.674	1990.	1.558	66.72
Swiss Franc	0.317	0.476	1.232	110.8	3.763	1.	1.383	748.9	0.586	25.11
Dutch Guilder	0.230	0.346	0.891	80.02	2.722	0.723	1.	541.7	0.424	18.16
Italian Lira 1,000	0.424	0.636	1.646	147.7	5.026	1.335	1.846	1000.	0.783	33.53
Canadian Dollar	0.541	0.812	2.101	188.7	6.418	1.706	2.358	1277.	1.	42.82
Belgian Franc 100	1.264	1.897	4.906	440.6	14.99	3.982	5.506	2982.	2.335	100.

FINANCIAL FUTURES

Gilts depressed

Gilt futures weakened on the London International Financial Futures Exchange yesterday, with December delivery closing at 105-25, the lowest level of the day, compared with 106-02 previously. It opened at 106-08, the highest point touched, and traders reported that prices opened lower than expected, and drifted down, lacking support at any particular level. Public Sector Borrowing for the third quarter was below some estimates, and led to a brief upturn in prices, but this was short lived, since the figure for the full financial year is still expected to be above the Government target.

The Cabinet meets tomorrow to discuss public expenditure, but in the present political climate the market doubts the Government's will to severely cut back spending.

Traders are also pessimistic about further cuts in London interest rates.

Volume in the short-sterling contract was at a disappointing level, reflecting the static nature of interest rates on the London money market. December traded in a very narrow range of 90.67 to 90.69, and after opening at 90.68 closed at 90.69, compared with 90.64 on Monday.

Eurodollars were very firm in Chicago on Monday, and dealers were not surprised when London opened cheap to Chicago and remained so, despite staying well above the previous London finishing level. The December contract opened at 90.45, the best level of the day, and closed at 90.42, compared with 90.37 previously.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	90.42	90.45	90.40	90.37
March	90.08	90.11	90.07	90.04
June	89.81	89.84	89.80	89.77
Sept	89.57	89.59	89.55	89.55
Dec	89.36	89.36	89.35	89.33

Volume 2,597 (2,278)
Previous day's open int 7,687 (7,309)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Dec	90.69	90.69	90.67	90.64
March	90.39	90.40	90.38	90.35
June	90.13	90.15	90.13	90.10
Sept	89.86	89.86	89.84	89.84
Dec	89.54	—	—	89.63

Volume 570 (388)
Previous day's open int 5,250 (5,325)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	105-25	106-08	105-25	106-02
March	105-09	105-22	105-09	105-20
June	104-25	—	—	105-06
Sept	104-12	—	—	104-28
Dec	103-40	—	—	104-10

Volume 3,082 (3,226)
Previous day's open int 3,006 (3,030)
Basis quote (clean cash price of 13¾ Treasury 2003 less equivalent price of near futures contract) 10 to 20 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.5019	1.5045	1.5005	1.5028
March	1.5027	1.5045	1.5027	1.5039
June	1.5042	—	—	1.5054

Volume 215 (448)
Previous day's open int 1,369 (1,355)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3895	0.3898	0.3891	0.3872
March	0.3930	—	—	0.3906
June	0.3963	—	—	0.3938

Volume 157 (76)
Previous day's open int 371 (742)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Dec	0.4811	0.4820	0.4810	0.4788
March	0.4884	—	—	0.4861
June	0.4946	—	—	0.4923

Volume 11 (28)
Previous day's open int 109 (106)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	0.4326	0.4337	0.4325	0.4323
March	0.4380	—	—	0.4356
June	0.4395	—	—	0.4391

Volume 45 (78)
Previous day's open int 131 (148)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	72-10	72-13	71-31	72-07
March	71-23	71-25	71-11	71-19
June	71-06	71-06	70-26	71-01
Sept	70-22	70-23	70-14	70-18
Dec	70-11	70-11	70-03	70-06
March	69-31	69-31	69-24	69-28
June	69-22	69-23	69-18	69-18
Sept	—	—	—	69-11
Dec	—	—	—	—
March	—	—	—	—
June	—	—	—	—

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.32	91.32	91.16	91.23
March	90.92	90.92	90.80	90.87
June	90.63	90.63	90.54	90.61
Sept	—	90.38	90.31	90.37
Dec	90.18	90.16	90.10	90.16
March	89.93	89.94	89.89	89.85
June	—	89.75	89.68	89.77
Sept	89.56	—	89.56	89.60

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	90.63	90.69	90.55	90.63
March	—	90.22	90.14	90.22
June	89.90	89.90	89.63	89.91
Sept	—	89.60	89.56	89.65
Dec	—	—	—	—
March	—	—	—	—

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	90.25	90.25	90.13	90.21
March	89.88	89.88	89.78	89.86
June	89.57	89.57	89.50	89.57
Sept	—	89.30	89.24	89.32
Dec	89.03	89.03	89.00	89.07
March	88.79	88.79	88.77	88.63

STERLING (IMM) Se per £

	Latest	High	Low	Prev
Dec	1.5026	1.5040	1.4990	1.5040
March	1.5025	1.5055	1.5000	1.5056
June	1.5070	1.5070	1.5030	1.5075
Sept	1.5030	—	1.5030	1.5080
Dec	—	—	—	—
March	—	—	—	—

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	69-01	69-02	68-23	69-00
March	68-02	68-04	67-25	68-02
June	67-09	67-09	67-06	67-09
Sept	66-22	66-22	66-20	66-22
Dec	66-07	66-07	66-02	66-07
March	—	—	—	—
June	65-19	65-16	65-16	65-16
Sept	65-08	65-08	65-08	65-08
Dec	—	—	—	—
March	—	—	—	—
June	—	—	—	—

MONEY MARKETS

UK rates little changed

UK clearing bank base lending rate 9 per cent (since October 4 and 5)

UK interest rates showed little overall change yesterday. Longer term rates may have eased very slightly but there appeared to be little concerted movement with the market hoping for some move in U.S. short term rates to provide some impetus. In the interbank market overnight money opened at 8⅞ per cent and eased to 8¾ per cent during the afternoon before finishing at 9 per cent.

The Bank of England forecast a shortage of around £300m although this was later revised to £350m. Factors affecting the market included maturing assistance and a take up of Treasury bills −£141m and the unwinding of previous sale and repurchase agreements −£236m. On the other hand Exchequer transactions added £22m to the system as did a fall in the note circulation of £68m.

The Bank gave assistance in the morning of £247m, comprising purchases of eligible bank bills. These were split up into £60m in band 1 (15-33 days) at 9⅛ per cent, £7m in band 2 (15-33 days) at 9 per cent, £21m in band 3 (34-63 days) at 8⅞ per cent and £159m in band 4 (64-91 days) at 8⅞ per cent. The Bank gave further assistance in the afternoon of £123m, making a grand total of £370m. The afternoon help comprised purchases of £48m of eligible bank bills in band 3 at 9 per cent and £75m in band 4 at 8⅞ per cent.

In Frankfurt call money was quoted at 5.5 per cent down from 5.525 per cent on Monday. A slight easing in short-term rates could have reflected a previous build up of reserves assets by some banks in respect of the October requirement. However the easier trend in no way suggested a possible reduction in interest rates. Current figures show that the recent rise in the Lombard rate to 5.5 per cent has principally been a reflection of the Bundesbank's concern over the growth in money supply and on this basis there appears to be little likelihood of any change in credit policy or key lending rates at tomorrow's meeting of the Bundesbank central council.

LONDON MONEY RATES

Oct. 18 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	8⅛-9	8⅞-9	—	—	9-9⅛	9-9	—	—	—
2 days notice	—	—	8⅞-9	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	9¼	—	—	—	—
7 days notice	—	9-9⅛	8⅞-9	—	—	—	9	—	—	—
One month	9¼-9⅛	9⅛-9¼	9⅛	9¾-9½	9¼	9½	9	9⅛	9-9⅛	9⅞
Two months	9¼-9⅛	9¼-9⅛	9⅛	9¾-9½	9¼	9⅝	9	8⅞	8⅞	9⅞
Three months	9¼-9⅛	9⅛-9¼	9¼-9⅛	9⅝-9⅜	9⅜	9⅜	9	8⅞	8⅞	9⅞
Six months	9⅛-9¼	9⅜-9½	9⅛-9⅜	9⅞-9¾	9⅝	—	—	—	8⅞-8⅞	9⅞
Nine months	9½-9⅝	9⅝-9¾	9¾	10-9¾	9¾	—	—	—	—	—
One year	9½-9⅝	9¾-9⅞	9⅝-9¾	10-9¾	9⅞	—	—	—	—	—
Two years	—	—	10⅛	—	—	—	—	—	—	—

ECGD Fixed Rate Export Scheme IV. Average Rate for interest period September 7 to October 4, 1983 (inclusive) 9.719 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 10¾ per cent; four years 11 per cent; five years 11 per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four months' bank bills 8²⁹⁄₃₂ per cent; four months trade bills 9⅞ per cent.

Approximate selling rate for one-month Treasury bills 9 per cent; two months 8²⁹⁄₃₂ per cent and three months 8⅞ per cent. Approximate selling rate for one-month bank bills 9 per cent; two months 9¹⁄₃₂ per cent; and three months 8⅞ per cent; trade bills 9¹¹⁄₃₂ per cent; two months 9¹¹⁄₃₂ per cent and three months 9⁵⁄₃₂ per cent.

Finance House Base Rate (published by the Finance Houses Association): 10 per cent from October 1, 1983. London and Scottish Clearing Bank Rates for lending: 9 per cent. London Deposit Rates for sums at seven days' notice: 5½ per cent.

Treasury Bills: Average tender rates of discount 8.8582 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 9½ per cent; one-three months 9¾ per cent; three-six months 9¾ per cent; six-12 months 10 per cent. Under £100,000 9¼ per cent from October 6. Deposits held under Series 4-5 10 per cent. The rate for all deposits withdrawn for cash 5 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Oct. 18	Short term	7 days notice	Month	Three Months	Six Months	One Year
Sterling	8⅞-9	9-9⅛	9⅛-9¼	9¼-9⅜	9½-9⅝	9⅝-9¾
U.S. Dollar	9¼-9⅜	9¼-9⅜	9⅜-9½	9½-9⅝	9¾-9⅞	9⅞-10⅛
Can. Dollar	8¾-9¼	8¾-9¼	9-9¼	9⅛-9⅜	9¼-9⅜	9⅝-9⅞
D. Guilder	6⅛-6	5¾-6	5⅞-6	6⅛-6⅛	6⅛-6⅛	6⅜-6⅛
S. Franc	1⅜-1⅞	1¾-2	3⅛-3⅜	4-4⅛	4⅛-4⅛	4⅛-4⅛
Deutschm'rk	5-5⅛	5¼-5⅜	5⅛-5⅛	6⅛-5⅞	5⅞-6⅛	6⅛-6¼
Fr'nch Franc	12¼-12½	12⅜-12⅝	12⅜-12⅞	14⅛-14⅜	15⅞-16⅛	16⅜-15⅝
Italian Lira	15¾-16¾	16¼-17¼	17⅛-17⅞	18-18½	18⅜-18⅞	18⅞-19½
Belg. Franc Conv.	7⅛-8	7¾-8¼	8⅛-9	9-9⅛	9⅛-10	9⅝-10¼
Fin.	7½-9	7¾-8½	8¾-9	9⅛-9⅝	9⅝-10	10-10¼
Yen	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛
D. Krone	11½-16	11½-12	10¾-11¼	10⅞-11⅛	11⅛-11⅜	10¾-11¼
Asia $ (Sing.)	9⅛-9½	9⅛-9½	9⅛-9½	9½-9⅝	9⅝-9¾	9⅞-10⅛

FT LONDON INTERBANK FIXING

11.00 a.m. OCTOBER 18

3 month U.S. dollars		6 month U.S. dollars	
bid 9 1/2	offer 9 5/8	bid 9 5/8	offer 9 3/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	11
Fed funds (lunch-time)	9⅜-9½
Treasury bills (13-week)	6.55
Treasury bills (26-week)	6.76

GERMANY

Lombard	5.5
Overnight rate	5.525
One month	5.80
Three months	6.19
Six months	6.15

FRANCE

Intervention rate	12.25
Overnight rate	12.125
One month	12.4375
Three months	12.4375
Six months	12.5625

JAPAN

Discount rate	5.5
Call (unconditional)	3.53125
Bill discount (3-month)	5.84375

SWITZERLAND

Discount rate	4
Overnight rate	1½-2⅞
One month	3⅞-3⅞
Three months	4-4⅛

NETHERLANDS

Discount rate	6
Overnight rate	5⅞-3
One month	5⅞-6
Three months	6⅛-6⅛
Six months	6⅛-6⅛

$ CERTIFICATES OF DEPOSIT

One month	9.20-9.30
Three months	9.25-9.35
Six months	9.35-9.45
One year	9.60-9.80

LONG TERM EURO $

Two years	10¾-11
Three years	11-11¼
Four years	11½-11¾
Five years	11¾-12

SDR LINKED DEPOSITS

One month	8⅞-8¹¹⁄₁₆
Three months	8¾-9⅛
Six months	8¹³⁄₁₆-9⅛
One year	9¼-9⅝

ECU LINKED DEPOSITS

One month	8⅞-8¹¹⁄₁₆
Three months	9⅛-9⅛
Six months	9⅞-9¹¹⁄₁₆
One year	9¹¹⁄₁₆-10⅛

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INTERNATIONAL CAPITAL MARKETS

EUROBONDS

Scottish bank seeks to raise $75m

BY MARY ANN SIEGHART IN LONDON

THE ROYAL BANK of Scotland is raising $75m in the Eurodollar bond market in a bond-with-warrants deal led by Samuel Montagu.

The ten-year bond has an 11⅞ per cent coupon at a price of 99¾, giving a yield of 11.92 per cent to maturity. Each bond has one warrant with an issue price of $20, which enables the holder to buy a ten-year, 11½ per cent bond at par from the same borrower at any time in the next five years. The 11⅞ per cent bonds are callable after five years, so that the borrower can lock into a lower cost of funding (11½ per cent) if the warrants are exercised.

The bond on its own was considered to be a little tightly priced, and traded at a discount of around 2 points, outside its selling concession. On the other hand, the warrants were very popular and moved straight up to about $26, so co-managers selling the package will not have lost money.

In fact, several market participants suggested that at $26, the warrants were still cheap compared with similar warrants already in the market.

The dollar secondary market was very quiet again yesterday, with prices closing little changed.

The Inter-American Development Bank issued a Y15bn Euro-Yen bond through Nomura Securities. The ten-year bond has an indicated coupon of 7.875 per cent at a price of 99½. The IADB is also scheduled to tap the Samurai market in November.

Baxter Travenol's dual currency bond, in which the interest is paid in Swiss francs and the bond is redeemed in U.S. dollars, has been increased from SwFr 100m to SwFr 125m, reflecting the recent market demand for such instruments. In return for taking the exchange rate risk on the U.S. dollar, investors are rewarded with a coupon of over 1 point more than they would earn on a straight Swiss bond.

Baxter's deal has been finally priced as indicated by SBC with a coupon of 7 per cent at par. There are put and call options after eight years at $2,800 and $2,845 respectively. The redemption value of the bonds is $3,000.

Prices in the German and Swiss secondary markets rose slightly in medium turnover.

Debt crisis slows down international lending

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

INTERNATIONAL BANK lending showed virtually no growth in the second quarter of this year for the first time since records started two decades ago.

The slowdown, demonstrating graphically the deep impact of the Latin American debt crisis on international banking, is charted by the Basle-based Bank for International Settlements (BIS) in its latest banking figures published today.

The report is based on banks in its reporting area, defined as Group of Ten countries plus Switzerland, Austria, Ireland, Denmark, Luxembourg and branches of U.S. banks in key offshore centres.

During the quarter international bank lending expanded by only $6bn to $1,689bn after adjustment for exchange rate changes.

The BIS says this brought the cumulative increase for the first half of this year to $22bn, which was less than one third of the growth reported in the first half of 1982 before the Latin American debt crisis broke.

The immediate reason for the second quarter slowdown was a $4bn drop in cross-border lending between banks themselves. Such lending had increased by $14bn in the first quarter.

In addition, interbank claims in foreign currency within individual reporting countries fell by $40bn during the quarter, the BIS says, with the decrease centred on the UK and partly reflecting a seasonal unwinding by Japanese banks of money market positions.

Any acceleration in international bank lending during the second quarter was entirely due to an increase from $500m to $6.5bn in new lending to countries outside the BIS reporting area. Identified use of new funds for lending within the reporting area itself slowed to $7bn from $8.5bn, the BIS reports.

Growth in International Bank Lending ($bn)	
1979	205.8
1980	241.2
1981	264.0
1982	175.0
1983	44.6*

* First-half figures at annual rate
Source: Bank for International Settlements

Moreover, the BIS says withdrawals of deposits by outside area countries decreased markedly during the second quarter so that net financial flows to these countries expanded only modestly to $11bn from $8.5bn.

Members of the Organisation of Petroleum Exporting Countries (Opec), which had reduced their deposits by $8.1bn in the first quarter, drew only $7.1bn more in the second quarter, it reports.

During the second quarter there was also a marked shift in the structure of international banking flows with a sudden resurgence of deposits in the banking system by non-banks.

Such deposits expanded by a record $13bn, the BIS says. Some $7bn of this came from U.S. non-banks, but Swiss banks continued to channel a substantial volume of private depositors' money into the Euromarket, and other depositors were also attracted by the high level of interest rates and the strength of the dollar on exchange markets.

As a result, banks in Europe had to rely less heavily on funds supplied by their counterparts in the U.S., whose role as a source of credit disappeared.

In the first quarter U.S. banks had channelled a net $11.2bn abroad, but in the second they took in $3.4bn, a capital inflow that helped ensure exchange market strength of the dollar despite the growing U.S. balance of payments deficit.

Lending patterns also changed during the quarter, the BIS says. Eastern European countries received $300m in net new credit after a contraction of $1.4bn in the amount of credit available to them in the first. New lending to Opec countries, which had come to a halt in the first quarter, recovered again to $800m.

Among specific countries the BIS notes the following developments:

- Mexico and Brazil increased their deposits with international banks by $1.3bn and $800m respectively, making them net suppliers of funds to the system during the second quarter. Venezuela also built up its deposits by $700m.
- Outside Latin America the largest developing country borrowers in the quarter were Israel with $800m, and Egypt and the Philippines with $600m each. In Latin America the largest gross borrowers were Mexico with $400m, and Argentina and Colombia with $300m each. Brazil received virtually no new loans, the BIS says.
- Banks in Italy borrowed heavily abroad during the quarter, taking $3.6bn in fresh funds from the market. Non-bank entities in Italy also borrowed heavily, the BIS says, although bankers note that at the time there were few publicised transactions in the syndicated loan market.

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hambros Bank	9 %
Allied Irish Bank	9 %	Heritable & Gen. Trust	9 %
Amro Bank	9 %	■ Hill Samuel §	9 %
Henry Ansbacher	9 %	C. Hoare & Co. †	9 %
Arbuthnot Latham	9 %	Hongkong & Shanghai	9 %
Armco Trust Ltd.	9 %	Kingsnorth Trust Ltd.	10 %
Associates Cap. Corp.	9½%	Knowsley & Co. Ltd.	9½%
Banco de Bilbao	9 %	Lloyds Bank	9 %
Bank Hapoalim BM	9 %	Mallinhall Limited	9 %
BCCI	9 %	Edward Manson & Co.	10½%
Bank of Ireland	9 %	Meghraj and Sons Ltd.	9 %
Bank Leumi (UK) plc	9 %	Midland Bank	9 %
Bank of Cyprus	9 %	■ Morgan Grenfell	9 %
Bank of Scotland Ω	9 %	National Bk. of Kuwait	9 %
Banque Belge Ltd.	9 %	National Girobank	9 %
Banque du Rhone	10 %	National Westminster	9 %
Barclays Bank	9 %	Norwich Gen. Tst.	9 %
Beneficial Trust Ltd.	10 %	R. Raphael & Sons	9 %
Bremar Holdings Ltd.	9 %	P. S. Refson & Co.	9 %
Brit. Bank of Mid. East	9 %	Roxburghe Guarantee	9½%
■ Brown Shipley	9½%	Royal Trust Co. Canada	9 %
CL Bank Nederland	9 %	Standard Chartered ‖	9 %
Canada Perm't Trust	10 %	Trade Dev. Bank	9 %
Castle Court Trust Ltd.	9½%	TCB	9 %
Cayzer Ltd.	9 %	Trustee Savings Bank	9 %
Cedar Holdings	10 %	United Bank of Kuwait	9 %
■ Charterhouse Japhet	9 %	United Mizrahi Bank	9 %
Choulartons	10½%	Volkskas Intnl. Ltd.	9 %
Citibank Savings ¶	10½%	Westpac Banking Corp.	9 %
Clydesdale Bank	9 %	Whiteaway Laidlaw	9½%
C. E. Coates	9½%	Williams & Glyn's	9 %
Comm. Bk. of N. East	9 %	Wintrust Secs. Ltd.	9 %
Consolidated Credits	9½%	Yorkshire Bank	9 %
Co-operative Bank *	9 %		
The Cyprus Popular Bk.	9 %		
Dunbar & Co. Ltd.	9 %		
Duncan Lawrie	9 %		
E. T. Trust	9½%		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11½%		
First Nat. Secs. Ltd.	11½%		
Robert Fraser	10 %		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%, 1-month 5.75%. Short-term £8,000/12 months 8.1%.
† 7-day deposits on sums of: under £10,000 5½%, £10,000 up to £50,000 6½%, £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5½%.
‖ 21-day deposits over £1,000 6½%.
§ Demand deposits 5½%.
¶ Mortgage base rate.
Ω Money Market Cheque Account—9.00%. Effective annual rate—9.38%.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for October 18.

U.S. DOLLAR STRAIGHTS

[illegible]

OTHER STRAIGHTS

[illegible]

DEUTSCHE MARK STRAIGHTS

[illegible]

SWISS FRANC STRAIGHTS

[illegible]

YEN STRAIGHTS

[illegible]

FLOATING RATE NOTES

[illegible]

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Olympus Optical 6¾ 97	12/82	1331	100	101½	-5	1.86
Orient Finance 5¼ 97	3/82	527.2	95	99½	-0¾	3.43
Orient Leasing 6¼ 98	6/83	2998	95½	96½	-0¾	-3.37
Secom 6 98	11/83	2928	118¾	119¾	-0¾	0.73
Sumitomo Electric 5½ 97	3/82	577.3	113¾	114¾	-2¼	-0.81
Yamaichi Sec Co 6 98	8/83	472	95¼	96¾	0¾	1.83
Yamanouchi Pharm'cal 4 90	10/83	1868	95¾	96¾	0	2.33
NEC Corp 3½ 93 SF	8/83	878	134¾	136¾	2¾	-3.27
Settsu Paper 3¾ 93 SF	9/83	715	101⅝	103⅝	+1⅛	13.71
Asics 5 92 DM	12/83	520	106¾	108	+0½	13.61
Konishiroku 6¾ 88 DM	0/82	818	116¾	117¾	-0¾	1.88
Sam Realty 6½ 92 DM	2/83	385	123	124	-0¾	-4.95

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn = Current coupon. C.yld = Current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

FINANCIAL TIMES SURVEY

CHINA

Deng Xiaoping, China's leader, has had a good year. He has rejuvenated the government, freed agriculture from most constraints and opened the door further to foreign capital. However, China's crime wave, its controversial population policy and the challenge from the diehards on the left remain as threats

By Colina MacDougall

NEARLY FIVE YEARS have passed since China's strong man Deng Xiaoping took the helm and set in motion sweeping changes which have transformed the visible face of China. Gone, for the most part, are the patched blue unisex suits. Gone, for many, is the spectre of malnourishment. The prosperous towns which foreigners visit have sprouted free markets filled with fresh meat, vegetables and fruit. The high street shops are full of televisions, frilly blouses and fashionable sports shoes.

The destructive political campaigns of the past which undermined economic progress have seemingly faded away. The leadership, under Deng's back-seat driving, has consolidated. Top personnel changes have introduced younger and probably more pragmatic people into influential posts. An embryo legal system regulates civil life, and more important for the foreign businessman, lays down a framework for commerce.

The last few years have seen the first effort since the 1950s to codify business practices. In 1979, recognising that foreigners needed the assurance of formal legislation before they could consider co-operation with China, Peking brought in a joint venture law. It began work on a new constitution, a new criminal and civil code and on legislation affecting relations between Chinese enterprises.

In September this year, Peking published further regulations on the setting up of joint ventures which reportedly clear up many of the problems which have dogged them in the past.

China has opened a door to the west to bring in modern technology, and even welcomes western capital. Trade, with its emphasis on acquiring technology, is now seen, at least by those in charge, as the key to a prosperous and modernised China.

Over the past five years western businessmen have flocked to China to assess and develop the new market. Chinese officials have swarmed in hundreds in the other direction. China's volume of trade has risen from \$14.7bn in 1977 (the year after Chairman Mao died) to nearly \$41bn in 1982. Today foreign buyers can travel over much of China previously sealed off and foreign sellers can directly contact many potential end-users, both facilities unheard of half-a-dozen years ago.

Foreign investment so far disbursed to joint ventures in China, according to the reliable China Business Review, runs to about \$300m. This excludes the biggest wave of joint ventures, the development of China's offshore oil. Already around two dozen foreign oil companies have signed contracts to explore offshore on terms which will require the expenditure of hundreds of millions of dollars and could tie the foreigners into co-operation with China for many years.

This sounds impressive, and, compared to the past, it is. But China remains a testing place to work, and foreign businessmen find the Chinese far from easy partners. This feeling is probably reciprocated by the Chinese, who traditionally prefer to keep foreigners working in China isolated in special compounds. This does not aid understanding.

Joint venture goes sour

One important case where a joint venture has gone sour is that of the French company Total Chine. It has been drilling for oil under a shared-risk arrangement off Hainan Island in the South China Sea. Total have now pulled out their drilling staff because, after spending over \$100m, they do not view the oil they have struck as commercial. Furthermore, the inexperience of Chinese rig crews has plagued the venture. Total want to renegotiate their original contract, which was signed in 1980 when oil prices were high, but the Chinese are reluctant to do so.

There are also manpower problems in joint ventures on shore. Office staff supplied by the Chinese side tend to be inefficient and, relative to the skills they provide, expensive. Foreign companies warn of excessive numbers of Chinese directors on the boards of joint ventures. Offices tend to be overmanned with Chinese who are there to learn the job.

These day-to-day working problems follow the tough process of actually negotiating a contract. Here, some companies reckon, the time required is still two to three times as long as it takes in other countries. Past experience suggests that when a contract is signed, there is no complete certainty the Chinese will stick by it.

The most spectacular example of a breakdown is the Baoshan steel plant deal, originally negotiated with Japan and West German companies in 1978. This has been twice suspended and twice reinstated as a consequence of internal Chinese politics and domestic arguments over costs. A more recent example is the British Aerospace-Vosper Thorneycroft contract for refitting Chinese naval ships, signed in November 1982 but allowed to lapse last March by the Chinese during the ratification period after three years of costly and intensive negotiation. Many foreign companies worry that if they upset the Chinese, their deals could be scrapped.

Many companies enter China as a form of insurance against the possible extension of Chinese influence, in particular to Hong Kong. This applies especially to businessmen from the territory who see a joint venture in China as a way of keeping a foot in both camps, and partly accounts for the proliferation of Hong Kong business in the Special Economic Zones.

Some Western companies have come to China believing "We can't afford to be left out," "We wanted to get into China somehow," or "China's the last big opportunity still undeveloped in our field."

While they hope to make money in the long run, they are not too concerned at present and probably do not gamble more than they can afford. So whether the Chinese are easy business partners at present is, for them, less relevant.

How likely is it that conditions will get easier? It seems possible. Deng appears totally committed to the open door policy, and many thousands of students have been sent to study (mainly technology and languages) in the west. Premier Zhao Ziyang has also declared himself committed to the open door policy.

Encouragingly, Deng seems steadily to have gained political ground this year, successfully easing out his opponents. His "Selected Works," published last summer, are being assiduously studied, as Mao's once were.

The management of the economy is being reformed. A new commission, under the premier, is due to get to grips with reorganisation. New enterprises such as local corporations are more responsive to profit and loss than the old ministries. Elderly officials are giving way to technocrats, such as for instance Li Peng, the new vice-premier, who comes from the ministry of water conservancy and power. On the face of it, economic liberalism and its concomitant, the open door policy, are here to stay.

Party purge on the way

But there are many imponderables. One is that top jobs in the bureaucracy are currently being filled by men who were trained in the 1950s. If they dealt with foreigners, those foreigners would have been from the Soviet bloc. The bureaucracy was built up on the Soviet model and until 1958 the economic ideas were Soviet in origin. It may be optimistic to expect them to show much flexibility.

Further problems may arise from China's political and social strains. One forthcoming hurdle is the scheduled party "rectification," in which the 20m members recruited during the Cultural Revolution (out of a total membership of 40m) will have their credentials examined. Another is the handling of the present crime wave, where Peking's severe response — which includes widespread public executions — may prove temporarily effective but will not solve the problems of too few jobs and a collapse of respect for authority among young people.

Yet a third problem may be the draconian one-child-family policy, involving forced abortion, sterilisation by the authorities and sometimes infanticide by desperate parents. Mothers are still abused for giving birth to daughters, to the point of murder or suicide. It is difficult to imagine that Peking can continue the policy for the requisite 20-odd years without a fierce backlash.

Transcending these issues is the key question: will the open door policy, and the liberalisation that goes with it, outlast the lifetime of the remarkable Deng? At close on 80 he seems unlikely, despite his recent Mao-style swim in the sea, to be around much longer.

His chosen successors are clearly the party secretary-general, Hu Yaobang and the premier, Zhao. No one knows whether they will succeed to his role peacefully, or even if, having done so, they will be able to work together. As Deng supporters, they will already have attracted the hostility of his opponents, the old-style military who resent their current loss of prestige and the conventional Marxists who see his economic policies as a sell-out.

Hu has made little impact on foreigners yet, but Zhao has begun to be seen as a tough and efficient bureaucrat. Both will have some support within the party and the bureaucracy, but there must be a question as to whether it will be strong enough to continue the present daring policies. Younger, brighter candidates are moving into supporting roles a hopeful sign. But only time will tell, and with Deng a near-octogenarian, that time cannot be far off.

Editorial production of this survey by Mike Smith; Layout; Phil Hunt.

IN THIS SURVEY

The posters which spell death

Crackdown on crime

MARK BAKER

THE proclamations of death in Chongqing City, Sichuan Province are unmistakable. Big white character posters covered with the names of criminals, each one underlined, and the verdicts on their crimes. A thick red tick spreading across each poster declares that the executioner's job is done.

The posters are everywhere around the streets of this grimy industrial city, once the wartime headquarters of General Chiang Kai Shek. Hundreds of people stare silently at them beside bus stops, on factory walls and outside every police station.

Several weeks ago a convoy of army trucks slowly circled the streets of Chongqing. On the open backs of each truck were clustered groups of prisoners standing with their heads shaved and hands bound. Around the neck of each prisoner was slung a notice painted with his name and the sentence of the people's court.

After a mass rally beside the Yangtze River watched by tens of thousands of people, 61 men were driven away to be executed. Each by a single pistol shot through the back of the skull.

The Chongqing mass execution is the largest to be confirmed by correspondents and diplomats since China launched its anti-crime purge two months ago. More than 300 people have been shot since late August in more than 25 cities across southern and eastern China. Less than half of the killings have been acknowledged in the official Chinese press.

Reports of more executions are reaching Peking almost daily and western diplomats are giving credence to persistent, unconfirmed reports that the Government, which has ordered the rounding up of more than 100,000 suspected criminals by next February, plans to execute as many as 5,000 of them.

On a main road in the northern district of Chongqing is a gruesome street gallery filled with the portraits of those who have already died. They were mostly young men, many teenagers.

According to the Chinese authorities, almost all of those executed were murderers, rapists and violent robbers. Other sources say many were arrested, tried and executed within days as local public security officials rushed to carry out orders from Peking for swift and decisive action against crime.

In Shanghai last month a 41-year-old peasant, Lin Xinbao, was executed for struggling with two women after an argument when he refused to make way for their cart. He was found guilty of tearing at their clothes and "humiliating" them in public. Six youths were shot for street fighting.

In Chongqing, with 6m people the biggest city in the most populous province of China, the purge has created considerable fear among ordinary people.

Many youths will not go out at night to risk being rounded up by over-zealous police and sent to join thousands of others who have already been packed off to work in forestry labour teams in remote mountain areas of western Sichuan.

At least 300 prisoners have been shot since August and thousands more may follow

The Chongqing authorities are said to be particularly sensitive because of security around the city's big armaments industry, which makes tanks, guns and other weapons for the people's liberation army. There have been a spate of robberies by gangs armed with stolen pistols. Two youths are said to have been shot dead earlier this month after a gun fight with guards at one forestry camp.

Chinese officials blame the apparent increase in crime and particularly violent crime, on the breakdown of law, order and education during the cultural revolution, and the re-emergence of the wandering bands of armed criminals who have periodically surfaced during China's frequent periods of political and social turbulence.

The youth of many of the offenders, often teenagers or people in their early 20s, is a notable feature of those chosen for execution so far. As China opens up to foreign investment, technology and tourism after two decades of isolationism and internal turbulence China's leaders appear to fear that without draconian measures the "open door" strategy might be jeopardised and opponents of this policy given ammunition for their views.

The Sichuan number two prison—a grey Dickensian complex of engineering factories and crowded concrete dormitory blocks surrounded by banks of barbed wire and electrified trip lines—is a forbidding testimony to China's crime problem.

The prison, on the edge of Chongqing, accommodates only life sentence prisoners and those sentenced to death with a two-year suspension. In the past three years the prison's population has jumped by 300 to its capacity of about 2,000. Most inmates are between 25 and 30, people who grew up during the lawless era of the cultural revolution.

According to prison authorities, 10 per cent of them are serving sentences of "counter revolutionary crimes"—political prisoners jailed for their "leftist" activities during the cultural revolution and its aftermath.

"But most of the new prisoners who have come here in the last few years committed murder or robbery or were members of criminal gangs. They include rapists," says Mr Liao Zhenbing, one of the governors. "The nature of the cases has become more serious over the last few years and the methods of committing crimes are more serious."

Mr Liao and his colleagues boast about their humanitarian reform programmes and proudly emphasise that the prison's wire coating plant, truck parts factory and electrical workshops now earn $10m a year and enable the prison to return an annual profit of $4.7m to the state.

"The principle is that we have to treat offenders as human beings," says the prison's political commissar, Mr Shen Fugan, a beaming cadre who wears the starched white uniform with red collar flashes of China's public security bureau. "Our principle is no beatings, no abuse, no ill-treatment and no insults."

The execution posters now spreading through the streets of Chongqing and other Chinese cities suggests a different story.

A convicted prisoner kneels down shortly before he is executed in Canton Province last month. His placard proclaims him to be a murderer. The cross means he will die

How 15 prisoners were tried and shot

THE following eyewitness account was given to Colin MacDougall by a foreign visitor to China.

"Early last Tuesday I saw a truck carrying 15 prisoners and their armed guards parading through the streets of Zhanjiang. They were all young men. Among them was a policeman accused of raping two cement factory workers in a field. People in the crowd said he had a beautiful wife—an actress—and two children—they couldn't understand why he'd raped these women.

"Someone shouted to him from the crowd, which made him angry. He answered with what sounded like a torrent of abuse. The guards grabbed him and nearly throttled him.

"The prisoners were all bound hand and foot with placards round their necks describing their crimes. The truck took them to a large auditorium outside the town where there were something like 50,000 people. I couldn't see anyone that looked like lawyers or judges, only policemen and soldiers.

"The trial was pretty short. Someone just read out the crimes, as they've been reported in the wall posters since. Then they took them off to a field and shot them three times in the back of the neck. The crowd seemed to be enjoying it but I was nearly sick."

Still booming despite harsh measures

Population

MARK BAKER

AT THE Sun Yat-Sen hospital in Canton the women line up in a corridor along rows of wooden benches to await their abortions. A middle-aged doctor stands by the open doorway of the operating room, marshalling them through like a traffic warden.

Inside the small room three old steel-frame beds are positioned against a wall of grubby white tiles. Another doctor moves along the ends of the beds with a vacuum machine and a tangle of rubber pipes. After each operation the woman is allowed to rest for about five minutes before being told to walk out and make way for the next patient.

Sun Yat-Sen hospital is one of the biggest in Canton, capital of China's southern province of Guangdong. Last year more than 624,000 abortions were performed in the province. According to the local family planning authorities, 80 per cent of the women had their pregnancies terminated by order, a third of the terminations were in the sixth month of pregnancy or later.

Guangdong has become renowned in China for the vigour with which it has taken up the national Government's order to limit families to one child and to contain China's bursting population, currently more than 1bn people, to a maximum of 1.2bn by the year 2,000.

[illegible] Government is still drafting a national birth control code, it has left it to individual provinces to decide what measures they will adopt to enforce the policy. Guangdong, a province of 60m people bordering Hong Kong, has responded with ruthless efficiency.

All women who become pregnant after having one child must have an abortion and couples with two children must accept sterilization of either the husband or wife. In May and June this year a total of 1.19m family planning operations were performed in the province.

Draconian

China's tough population control drive is a matter of necessity. The population has doubled since the 1949 Communist Revolution and the massive additional demand for food, housing and other facilities is estimated to have swallowed up most of the gains of economic development in the past 30 years.

Despite the concerted measures adopted since 1979, the population is still expanding by about 13m a year—or a staggering 25 births every minute—causing chronic overcrowding in the cities and placing even greater strains on the country's already stretched farming lands.

The draconian measures are producing alarming side effects. Many new-born girls are being killed by parents determined that their only child must be a boy, many women are being forced against their will into abortions and sterilisation and a generation of Chinese is emerging that will be cut off from the traditional support and security of a large family.

A spate of reported cases of female infanticide has drawn a worried reaction from the All China Federation of Women and senior government leaders. While the Government has attempted to play down the significance of the phenomenon, the details which have filtered out through the Chinese Press suggest that it is widespread and may be increasing.

A four-year survey by the women's federation in two counties in the central province of Anhui concluded: "The sex ratio of newly-born babies is getting out of balance. In some cases it has become five-to-one in favour of boys." It found that in one production brigade of about 100 families, 40 new-born girls were drowned in 1980 and 1981.

Another report in the Canton newspaper, Nanfang Daily, said at least 210 girl babies were killed in two counties in Guangdong last year. "In some villages they keep a bucket of water by the mother's bed as she is giving birth," the newspaper said. "If the screaming infant turns out to be a girl, she is immediately drowned." Other girls were abandoned in caves and thrown into streams or ponds, it said.

The state family planning commission estimated that male births throughout China in 1981 exceeded reported female births by 7.8 per cent. A national census in July last year showed men now outnumbered women in China by about 30.7m. A recent editorial in the party newspaper, "People's Daily," warned: "In 20 years a great number of young men will be unable to find spouses if parents cling to feudal thinking and kill or abandon their unwanted female babies."

While officials continue to attribute the incidence of infanticide to feudal attitudes the one-child policy is clearly a main cause. In rural areas male children are seen as essential to survival as well as being the heirs. A male can work harder farming the land and care for parents in their old age, a female will leave to join her husband's family when she marries.

Fifteen women from one village in Anhui wrote a poignant letter to the "people's Daily" earlier this year saying they would rather die than give up the chance of having a son. They said failure to produce a son was "worse than death." Those who had given birth to daughters had been beaten and abused by their husbands, criticised by their mothers-in-law and even scorned by their own parents.

Firm action

Both the premier, Mr Zhao, and the women's federation have demanded firm action to protect such women, but the law is still lenient. A man who snatched his new-born daughter from the delivery table and killed her by stuffing a ball of cotton in her mouth and then throwing her in a bucket of night soil was sentenced to three years' jail—less than the sentence given to people convicted of illegally removing IUD contraceptive devices from women.

To enforce its population policy the state has intruded even further into the personal lives of women. Most work units now decide when a women may have a child. She must take her turn on a waiting list determined by the unit's annual quota of births, and a certificate entitling her to fall pregnant generally is valid for only one year.

Many factories keep charts of their women workers of child-bearing age, including details of the kinds of contraceptives they use and the timing of their menstrual cycles. Friends and neighbours are encouraged to watch for women who attempt to hide their pregnancies and those who fall pregnant with a second child are often subjected to intensive "counselling" until they agree to an abortion.

Neighbourhood family planning teams have responsibility for disributing contraceptives and supervising newly-married women. Hoardings and propaganda banners in cities and villages extol the virtues of one child. "Eugenical and well-bred," declares one poster. Many hoardings have pointedly been repainted to replace the male only child with a female.

Those couples who agree to have only one child are rewarded with wage bonuses, free medical care for the child and priority on kindegarten waiting lists. Those who have more than one child have their wages cut and are denied other perks.

Despite the intensity of the campaign, there are signs that its success is patchy, that there is widespread defiance by people in rural areas and laxity in the enforcement measures applied in some provinces.

In 1981, the last year for which comprehensive statistics are available, 5.9m babies were born to women who already had one child and 1.7m to women who had five or more children. A third of the 170m Chinese women or child-bearing age still use no form of contraception and only 10 per cent of the women have signed the Government's one-child pledge.

In Sichuan, with 100m people the most populous province in China, the amount of arable land per person has shrunk to one fifteenth of a hectare—less than half the area in 1949. The national authorities have proudly advertised that the province's birth rate has dropped from 4.1 per cent in 1970 to 1.6 per cent last year, but provincial family planners admit they face considerable opposition in trying to enforce the one-child rule.

The deputy director of the Sichuan Family Planning Commission, Mr Luo Huikuan, says the commission is still allowing many rural people to have two or more children and he claims "only a very few" forced abortions are performed.

Lenient

"We believe we should be more lenient to people in the countryside," he says. "Their education level is not very high. They need boys to work the land and the cost of daughters when they marry is very high. It will take time for them to realise the importance of family planning."

That view is not shared by the minister in charge of the national Family Planning Commission, Mr Qian Xinzhong, who advocates firm action. Last month he hinted that even stronger measures are being contemplated to keep the population under 1.2bn. To keep within the target, he says, "the state policy on one-child families, controlling second births and resolutely opposing more births might be readjusted."

That can only mean a stepping up of compulsory abortion and sterilisation and, without legislative action, continuing infanticide. But in the minds of the leadership is the forbidding knowledge that by the year 2000 another 200m couples will marry. Even if kept to one child, they will produce more people than are already crammed into all the cities of China.

Hugh Routledge

More boys than girls: males outnumber females by 30.7m and the one-child, one family rule is distorting the ratio further

Deng and his men tighten their grip

Internal politics

MARK BAKER

PEKING — Deng Xiaoping was not seen much during the opening session of the sixth National People's Congress in June. Mr Deng led officials onto the stage in the Great Hall of the People on the first day to an enthusiastic ovation, listened to a brief opening address, chain-smoked his way through a few cigarettes, then left.

The impression of a retiring elder statesman was false. After five years of masterminding exhaustive reform in the Chinese economy and administration, Mr Deng could enjoy the luxury of taking a supporting role, or at least appear to.

The congress was to be more of e procedural event than usual, but one which marked an important stage in China's transformation from the chaos of the cultural revolution to a new era of pragmatic reform and opening to the world.

It put the finishing touches on a sweeping reorganisation of the state bureaucracy begun et the previous session late last year, installed veteran economist Mr Li Xiannian in the largely ceremonial post of president and emphasised the leadership's commitment to steady change based on an identifiable legal system.

But the most important outcome of the congress session was the way in which it underscored Mr Deng's position as the undisputed leader of China.

The State Council, under the leadership of Mr Deng's protege, Premier Zhao Ziyang, and the 45 Government ministries and administrative commissions are now firmly controlled by officials committed to Mr Deng's policies. Notable dissenters, and those lebelled as "leftist" remnants of the Gang of Four ara, have all departed from these positions of direct power et least in the higher echelons of the party.

The congress also ratified the formation of a new Central Military Commission, designed to shift control of the People's Liberation Army eway from the party. While the membership of the new commission is identical to the old party body, Mr Deng has kept the chairmanship. Extensive reforms and staff changes within the military over the past year are believed to hava isolated most of the significant critics of the new regime and made the PLA more answerable to the hierarchy.

Autonomous

A major reorganisation of the structure of provincial government bas also been undertaken since late last year. The party and Government leaderships in virtually all provinces, municipalities and autonomous regions have been purged of remaining leftist influence and infused with younger and better educated officials.

While the Government acknowledges continuing resistance in a few provinces and regions, notably Hunan, Guangxi and Yunnan, and displaced leaders are said to continue to exert unofficial influence in some areas, western diplomats believe remaining opposition has been contained and certainly poses no serious threat to the objectives of the central anthorities.

Mr Deng and the men most likely to succeed him, premier Zhao, and party secretary Hu

The one big area still to undergo reform is the 39m-member Communist Party, the membership of which more than doubled during the cultural revolution. A "rectification" campaign which began after the congress is expected to continue over the next three years.

The groundwork for the campaign was laid in July with the publication of the "Selected Works of Deng Xiaoping," a collection of speeches, articles and interviews given by Mr Deng since 1975. The works bave become the focus of intensive political study sessions throughout the country and are seen as the ideological framework on which the campaign will be conducted.

It is expected that at least 4m people will lose their party membership. Every membership is to be reviewed and those members who joined during the cultural revolution and cannot demonstrate e suitable change of heart can expect to lose their cards. Formal guidelines for the rectification drive are expected to be announced at a plenary session of the party's central committee in mid-October. They are expected to be tough.

The degree of success which Mr Deng bas in shaking up the ossified rump in the party will provide e real test of his power. The intensive preparatory campaign surrounding Deng's works is already giving e new dimension to his previously self-deprecating profile in the leadership.

In the past, Mr Deng bas opposed strongly the sort of personality cult which surrounded Mao and enabled the sort of excesses which occurred late in the chairman's life. He has seemed content to direct China's political affairs et least ostensibly within the context of a collective leadership, and be has spurned the presidency or other titles matching his true authority.

But the study campaign surrounded Deng's works has increasingly, perhaps unavoidably, focused on Deng the outstending leader and architect of China's current prosperity and modernisation drive. At times it has hed the ballmarks of cultism. An article in the latest issue of the army newspaper, Jiefangjun Huabao, gushes: "Comrade Deng Xiaoping is a true materialist, a model combining revolutionary courage and realistic spirit while at the same time serving as an example in observing the ideological line characterised by the search for truth from facts."

In the five years since he took firm control in China, the achievements of Mr Deng and his lieutenants beve been formidable. Extensive reforms beve been achieved in agriculture and industry which are beginning to harness China's economic potential, personal incomes bave more than doubled and the country is on a sound footing to exploit foreign investment and trade. More significant bas been the restoration of political order and drafting of civil and commercial legal codes.

But two clear problems lie ahead. Whet happens after Deng's death? And can China satisfy the rapidly-expanding expectations of its people for better living standards which the new policies bave spawned?

Assistants

While the maintenance of China's present policies seems assured while Deng remains ective, there is still doubt about the direction China will taken when be bas gone. Deng has been careful in grooming his successors but many Western diplomats believe that Mr Deng's key assistants—Premier Zhao and party geoeral secretary Hu—are still not assured of bolding power in the event of his sudden death or incapacitation.

Certainly Mr Zhao end Mr Hu are seen to be gaining stature and much greater epparent public acceptance, and are being encouraged to further consolidate their positions by teking a bigger role in foreign policy. The likelihood of their being able to take over the reins in smooth succession is made greater by Mr Deng's continuing good health and the lack of any obvious rivals.

A more immediate problem for China'a leaders are emerging signs of social stress, much of it an apparent consequence of the more liberal economic and social policies.

The so-called responsibility system has created new weelth in the cities and the countryside and the expectation of more.

According to some party officials, China's better educated and better-fed youth are no longer ready to accept whatever the party says as gospel and are bungry for more freedom end a fuller life. They, and many of their parents, have discovered the rewards of following their own initietive and, as China's doors open more to the west, are comparing their position with the wealth that others enjoy.

The growth in China's prosperity bas been accompenied by a growth in crime, including serious fraud, violent robbery, murder and rape. The leadership has laid much of the blame on the legacy of the lawless cultural revolution, but some officiels have acknowledged the influence of a slackening in the party's authority and increasing materialism.

The government's answer has been to mount a fierce purge egalnst crime. It bas ordered the arrest of more than 100,000 people by next February, extended the death penalty to a range of new crimes and increased jail terms for others and begun to send thousands of idle city youth off to join work teams in the remote far west. As part of the purge, the party has ordered thousands of executions.

The tough measures may provide a temporary enswer, but in the longer term the social pressures responsible for the crime wave may become China'a biggest political problem.

Relations with super powers improve

Foreign Policy

ANTHONY ROBINSON

PACKED CINEMA audiences throughout China are currently being treated to a beautifully produced colour film about the burning of the Emperor's summer palace in the 1860s and the humiliation suffered by China at the hands of arrogant and brutal British and French forces. At Chengdu, in the heart of Sicbuan, Mr Deng Xiaoping's home ground, it is being shown in a buge Stalinist-gothic mausoleum of a picture palace adorned by giant portraits of Marx, Engels, Lenin, Stalin and Mao.

Walking back through streets packed with cinema-goers there was no trace of animosity to the heirs of this less-than-noble period in the history of 19th century imperialism. But there can be little doubt that public opinion is being prepared to support the claims made by Chinese leaders that the return of Chinese sovereignty over Hong Kong by 1997 is an inevitability which no Chinese government, of any complexion, could or would seek to defer.

Mr Zhou Nan, assistant foreign minister, puts the Chinese view thus: "This question has its roots in the opium wars and subsequent unequal treaties. These were wars of aggression which involve the national feelings of the Chinese people.

"The return of Hong Kong is part of the great cause of unifying China. There is no room for negotiation on tha question of sovereignty.

Stability

"Any suggestion that sovereignty and administration might be separated is divorced from reality. The two are inseparable; to accept otherwise would mean replacing one unequal treaty by another. The die has been cast. But China does want to enter into effective co-operation with Britain in the transitional period up to 1997 to maintain the prosperity and stability of Hong Kong.

"China was willing to take a number of serious political measures which take into account Hong Kong realities and British interests as well. Provided the British side takes a reasonable, realistic and co-operative attitude there is no reason for a positive solntion not to emerge."

The future of Hong Kong has suddenly become the major issue in UK-China relations. It could become a major international problem if it is taken as an indication of China's overall attitude towards foreigners at a time when it has embarked on an "open door" economic policy.

In many ways the posing of the Hong Kong issue in such apparently uncompromising terms contrasts with the basic thrust of the rest of Chinese foreign policy.

China's relations with the U.S. and the Soviet Union, for example, have improved considarably in recent months as China bas sought a more balanced position between the two superpowers. The improvement is more substantial in the U.S. case where a whole string of irritating, but relatively minor issues, have been settled. This has paved the way for e Deng-Reagan summit meeting in Peking next April, before the U.S. presidential campaign gets into full swing.

On the China trail: Mr Weinberger, Mr Ilyichov and Mr Schultz

A procession of top U.S. officials bave visited Chine in recent months — including Mr George Shultz, the Secretary of State, Mr Malcolm Baldridge, the Commerce Secretary and Mr Caspar Weinberger, the secretary of defence. Chinese Prime Minister Zhao Ziyang is due to visit Washington in January.

The Taiwan Relations Act still remains the main Chinese grievance but the harmful textile dispute has been settled, China's decision to join the International Atomic Energy Agency is expected to lead to Sino-U.S. co-operation in nuclear power and Mr Weinberger's visit is also expected to lead to some co-operation in defensive arms sales.

Relations with the Soviet Union remain on a much lower level, revealing that although China wants to improve its relations with both super powers there is no question of equi-distance between them.

The Soviet Union's China expert Mr Mikhail Kapitsa, recently spent a week in China during which time he set up this month's visit of deputy Foreign Minister Mr Leonid Ilyichov. But at the end of his stay his attempt to suggest that Sino-Soviet relations were improved by his "business-like talks" was quickly qualified by vice Foreign Minister Qian Qichem.

In his farewell speech at Peking airport Mr Qian pointedly remarked: "We must not forget there are still obstacles in the way of Sino-Soviet relations."

Subsequently China added the presence of Soviet SS-20 missiles targeted on Asia as a specific Chinese complaint in addition to the three traditional obstacles—Soviet occupation of Afghanistan, Soviet support for the Vietnamese incursion into Kampuchea and the presence of nearly a million Soviet troops along the Sino-Mongolian end Sino-Soviet borders.

Nevertheless tension along the border is reported to have eased substantially in recent months. The opening up of more border trade crossing points and trade protocols provide for e quadrupling of two-way trade to around $800m this year. China has demonstrated furthermore that it does not intend to make an issue of the Soviet shooting down of the South Korean jumbo jet over Sakhalin island.

Elsewhere in the communist world China bas moved to improve its relations with eastern Europe and improve relations with other communist parties.

In Asia, China's relations with India remain cool but correct whilst tension has subsided on the Sino-Vietnamese border, although strong differences remain with Vietnam over Kampuchea and Soviet bases like Cam Ranh Bay.

Any large-scale discovery of oil in Chinese waters could carry future complications as some areas ere disputed with South Korea, Japan, Vietnam and others.

Japan remains China'a most important economic and trade partner end both sides share the wider Asian apprehension over the progressive build-up of Soviet military, naval and etrategic forces in the area.

China is somewhat two-minded over the Nakasone's Government's "unsinkable aircraft carrier" strategy, but it is bappy to see Jepan abaring its own strictures on the need to guard against Soviet military might. It is closely watching signs of any re-emergence of Japanese militarism.

The agreement to open diplomatic relations between China and Angola was one of the high spots of an 11-nation African tour by Prime Minister Zhao Ziyang last December and January during whicb he reembpasised China's continuing interest in the continent.

China no longer harbours great dreams of inspiring revolutionary change but remains keen on countering Soviet influence in the area. Mr Zhao urged his hosts to concentrate on strengthening their own unity and independence rather than continue the kind of fractiousness which risked making them prey to great power intrigue. In so doing Mr Zhao effectively staked out China's view of itself as a third force, untainted by "begemonistic" tendencies and sharing many of the hopes, aspiretions and problems of other developing nations.

China seems to view western Europe in e somewbat similar way, favouring signs of e more concerted approach towards the Soviet Union, et least in military matters like missile deployment, and anxious to see it develop greater political autonomy.

Meanwhile China has successfully developed its own submarine launched ballistic missiles, maintains e nuclear deterrent force whose size and function it compares with Britain or France, and has included modernisation of military equipment and strategy as one of its key policy aims.

At this stage, and for the foreseeable future however, China appears to be concerned to use careful diplomacy to ensure the security it needs to carry out its ambitious economic development plans rather than depend on military might.

Whether diplomacy will allow a graceful and mutually satisfactory solution to tha Hong Kong problem remains to be seen.

Hong Kong is built on Chinese foundations but its superstructure is a product distinct from its motherland

Relationship benefits both sides

Hong Kong's future

ROBERT COTTRELL

THE MOST basic description of the relationship between Hong Kong and China would he to say, as does Professor A. J. Youngson of the Australian Netional University, that "Hong Kong is a part of China that happens, for the time being, to he administered by somebody else."*

The somebody else is Britain, which took its colony of Hong Kong by means of three nineteenth century treaties made with China, two ending bostilities hy ceding pieces of land to Britain in perpetuity, and one extending e 99-year lease from 1898 over what now constitutes nine-tenths of Hong Kong's area.

Physically, Hong Kong is part of the Chinese land mass, niched Into the southern Chinese coast 100 miles from Canton. Ethnically, its people are 98 per cent Chinese, most from neighbouring Guangdong Province.

Some 40 per cent of today's population was born in China. Culturally, Hong Kong is Chinese. The overlay is not so much British as cosmopolitan, with American, Indian, Malaysian, Filipino, Australian and Japanese communities, each playing a significant role in the husiness and social life of the territory.

But if Hong Kong is built oo Chinese foundations, its superstructure is a product of an identity distinct from its Chinese motherland. Hong Kong is the free market, while China is the centralised economy. Hong Kong is the cosmopolitan city, while China keeps forelgners at erm's length. Hong Kong stands for the rights of the individual, wbere China stands for the rights of the community. It is differences such as these which make aome Hong Kong people so anxious about reunification with China, even though it was from China that Hong Kong sprang.

Hong Kong and China's distinct identities bave come to provide the hasis for a tight and mutually supportive relationship. Professor Youngson describes the individuation of Hong Kong snd China as being a relatively recent development within Hong Kong's 141 years as a British-run territory. He notes that hefore the second world war, wben Hong Kong was occupied by the Japanese, "Hong Kong was not all that different from China. She was wealthier, certainly, hut not enormously so: she changed faster, but not much faster: she relied on private enterprise, but there was almost as much private enterprise in Shanghai or Tianjin."

It was effectively with the triumph of Mao Zhedong's communists and the foundation of the People's Repuhlic of China that Hong Kong and China began to develop their present mutual roles. And it was with the international embargoes on China trada at the time of the Korean War that Hong Kong began its fundamental shift from being primarily an entrepot with China to becoming primarily an integral export-oriented manufscturing centre.

China's ante-room

It is easy and commonplace to point to the gains which China makes from Hong Kong. The territory is usually said to aupply one-third of China's foreign exchange earnings, an amount estimated at U.S.$6bn annually by Sir Jack Cater, then Hong Kong's chief secretary, in 1981. Hong Kong is China's ante-room to the west, a place where China's socialism can mesh with international capitalism to explore and profit from foreign husiness methods, markets and technology.

Hong Kong Chinese send a steady flow of remittances to their relatives back home and spend valuable tourist dollars while visiting.

The beneficial relationship is two-way, however. Hong Kong receives a steady and assured flow of basic commodities—foodstuffs, water, fuel and raw materials—from a neighbouring iow-cost supplier.

Dr Y. C. Jao, reader in economics at the University of Hong Kong, has estimated that for the period 1961-73, Hong Kong's cost of living would have been at least 15 per cent higher if it had not imported its food from China. Since then, argues Dr Jao, Chinese foods have maintained their competitive edge, "thus it is not an exaggeration to say that China's export-pricing policy has indirectly subsidised Hong Kong's post-war industrialisation."

And for the future, Hong Kong now looks hopefully for another phase of growth towards an investment programme which it is for Peking to dispose—the development of China'a offshore oil reserves, an undertaking which may require total expenditure of as much as $35bn, according to an estimate by Citibank vice-president Mr Thomas Emmons. While Hong Kong may see relatively little participation in the physical aspects of the oil search, it may well have a key role to play in mohilising finance and affording rest, recreation and professional services to the oil companies.

*In his introduction to "China and Hong Kong, the economic nexus," Oxford University Press, Hong Kong).

The business centre in Hong Kong.

In the re-export field Hong Kong serves as an entrepot for China's trade with third countries

Sharp rise in two-way trade

Trade hetween Hong Kong and China in recent years reflects hroad political shifts wlthln China which have affected both domestic economic growth and the openness of the Chinese economy to external trade. As the troubled late years of the Maoist era gave way to the more pragmalic policies identified with Deng Xiaoping, Hong Kong-China trade increased dramatically, particularly in the re-export field where Hong Kong serves as an entrepot for China trade with third countries.

China's exports to Hong Kong increased strongly but steadily, from HK$8bn in 1977 to HK$15hn in 1979 to HK$29.5hn in 1981 and HK$33bn in 1982. In 1982, Chine displaced Japan as Hong Kong's largest supplier of imports. Domestic exports of Hong Kong goods to China leapt from HK$31m in 1977 to HK$603m in 1979 and to HK$3.8bn in 1982.

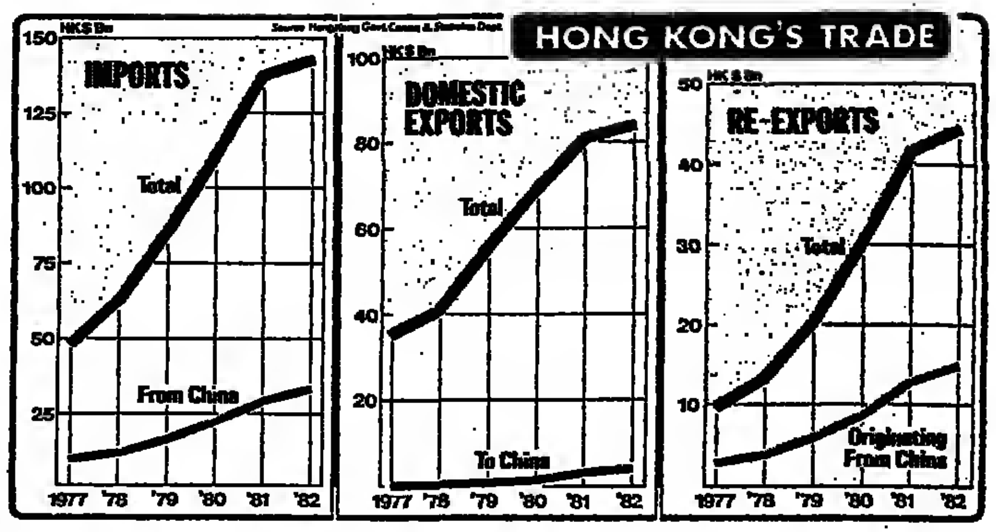
Re-exports from Hong Kong of goods originating in China rose from HK$2.5bn in 1977 to HK$8.4bn in 1980, and again to HK$14.7bn in 1982.

China became by far Hong Kong's largest re-export supplier in 1982, with Japan in second place originating HK$9bn of re-exported goods.

First stirrings

Overall, China's two-day re-export trade through Hong Kong totalled HK$22bn in 1982—an increase of 9 per cent in a year when Hong Kong's total world exports increased by just 4 per cent. Over the two decades to 1982 the boost in China trade meant that Hong Kong's re-exports expanded 40-fold, while Hong Kong's total world trade expanded 27-fold.

The type of products featuring prominently in Hong Kong-China trade are exports from Hong Kong to China of textiles, fabrics, telecommunications and audio equipment, light manufactured goods, garments, animal feed and photographic apparatus: exports from China to Hong Kong of yarn, fabrics, garments, fuel, food and live animals; and re-exports through Hong Kong into China of yarn, garments, electrical machinery and photographic apparatus.



Uncertainty over 1997 hits business

While Hong Kong and China's commercial relationship is well-established and smooth running, the territory is currently proving an acute political problem for both its British administrators and its Chinese claimants.

Britain's lease over most of Hong Kong expires in 1997. While Hong Kong island and the southern tip of Kowloon were made over to Britain in perpetuity, the leased area of the new territories contains Hong Kong's airport, port, reservoirs, power stations, half its population and most ef its industry.

Moreover, China has made it clear that it regards all three treaties relating to Hong Kong as having been extracted en unequal terms, and therefore not binding on China. China has said it wants all of Hong Kong back under Chinese sovereignty in 1997, and it claims as a function of sovereignty the right to establish the form of Hong Kong's administratien.

In negotiations with Britain which began in July and have continued intermittently, China is thought te have been resisting a British argument that Hong Kong's prosperity and stability would be best assnred by preserving a British-linked administration even after 1997. Though the negotiations themselves are confidential, China has said publicly that it wants Hong Kong te be antonomons after 1997, run by Hong Kong people under Chinese sovereignty.

Critics of China's Hong Kong policy say that a British administrative linkage is needed beyond 1997 to guarantee Hong Kong's economic and social freedoms. They say that without such a linkage, Hong Kong would have no defence against erosion or engulfment of its capitalist integrity.

China seeks to counter such fears by pointing to its own increasing pragmatism and economic liberalism, noting that China's modernisation is bringing it closer to Hong Kong in sophistication and integrity.

Hong Kong sceptics say that there is no guarantee that China will sustain its recently-espoused pragmatic liberalism inte the indefinite future, and that while China is moderaising, an enormous gulf still remains which would, at best, take many decades to close.

Uncertainty ever Hong Kong's future is considered the major force behind a slump in the Hong Kong dollar to record lows in September, and to a lesser extent the sustained depression in the local stock and property markets.

Hong Kong appears to have surprised even itself by the extent of its reaction to the "1997" issue over the last 18 months. Many influential Hong Kong businessmen and analysts had expected economic considerations to weigh China in favour ef tolerating a continued British presence. In practice, however, China has seen Hong Kong in primarily national political terms—part of a process of reunifying the motherland, which stretches beyond Hong Kong to the still more important issue of Taiwan.

The largest capital investor in HK

China is not only one of Hong Kong's largest trading partners but also probably the colony's largest capital investor. According to the Hong Kong Government's Trade Development Council: "Chins is thought to have invested U.S.$3-5bn in Hoog Kong, largely in business ventures like banking, insursnce, shipping, retailing, property and manufecturing."

Tbe Hongkong and Shanghai Banking Corporstion has estimated that Chins spent some HK$5bn on property in Hong Kong during the perlod 1977-82. One of Hong Kong's largest new office complexes is tha headquarters of China Resources, a Peking-owned conglomerate which has spent an estimated HK$800m on the development.

9 per cent increase

The Bank of China last year agreed to pay HK$1hn for land on which to build a new Hong Kong heedquarters. The building is expected to cost as much again and is being designed by the eminent architect I. M. Pei.

China's presence in Hong Kong is most obvlous in thi banking sector, where the 13-strong "family" of Peking-owned banks, led by the Bank of China, is estimated to control some 25 to 35 per cent of the local market.

Snch a volume of business would make them second only to the Hong Kong and Sbanghal Banking Corporation by market sbare. The Peking-owned banks have more than 200 brancbes, linked by a central IBM computer which allows customers of one bank to do business at any branch of any sister bank—an innovation which, when introduced in 1979, helped the banks add 14,000 new accounts in one month.

Tha China Resources conglomerate includes export agencies for Chinese cereals, oils, animal prodncts, textiles, metals and machinery. Operating in Hong Kong since 1948, China Resources only this year incorporated itself as a Hong Kong company—a move seen locally as a confidence-building gesture towards Hong Kong's business community.

China Resources is also majority partner in one of Hong Kong's largest-ever capital projects—the development of e new town at Tinshulwai in the new territorles. In joint venture with the Hong Kong Government, China Resources and other partners plan to construct a town of 170,000 people on a 170-hectare site reclaimed from marshland.

Other PRC firms playing a leading role in Hong Kong husiness life are the China Merchants Steam Navigation Company, estimated to carry one-third of all sea freight from China; the China Travel Service, which bandles incoming tourists; and the new China News Agency, which doubles as e news agency and Chine's unofficial diplomatic legation in Hong Kong.

Bank of China

Lately, Hong Kong has seen the first stirrings of a new generation of PRC entrepreneurs, products of pragmatic politics and displaying a more freewheeling style. Notable among the newcomers is Everbright Industrial Corporation, wbose boss, Wang Guangying, says he is backed not only by a Chinese government loan but also by private equity from former PRC capitalists. Everbright has rented a floor in one of Hong Kong's newest and shiniest office blocks, and actively courts publicity in contrast to the normally reticent style of Chinese state corporetions.

Capital investment, as well as trade, is a two-way process. There is Hong Kong investment in China, but its proportional significance in national terms is far less than that of China in Hong Kong. An exception is in the special economic zone of Shenzhen, just across the border from Hong Kong.

Shenzhen is by far the most developed of China's four SEZs, and said in May this year that it had sttracted pledged investments of foreign capital totaling HK$11hn.

Pledged invesiment is money which will be spent only when every phase of every project is actually completed. Actual expenditure at that time was a more modest HK$1.7bn.

Hong Kong investors are estimated to account for nine-tenths of Sbenzhen'a forcign capital inflow attracted by its cheaper land prices aod overheads for both real estate and manufacturing development.

Modernisation plans 'here to stay'

Economic trends

ANTHONY ROBINSON

PERSUADING foreign businessmen and the Chinese population alike that the policy of "four modernisations" is here to stay is one of the top priorities of the Chinese leadership.

The record since 1949 is, after all, not that encouraging. The first decade of economic growth was followed by turmoil during the "great leap forward" and the efforts made to correct this aberration were subsequently thrown to the winds again during the decade-long nightmare of the cultural revolution.

China has suffered greatly in the recent past by the highly un-Marxist disdain of some of its leaders for the economic consequences of their ideological fantasies.

In the four years since the rise to power of Deng Xiaoping and his ageing followers, however, China has embarked on a rational economic strategy of balanced economic growth and sectoral modernisation. The strategy takes into account China's existing backwardness, its predominantly rural and agricultural nature and the examples of rapid economic growth demonstrated by non-communist Asia, including Hong Kong, since the war.

China long ago rejected the Stalinist model based on the forced growth of heavy industry.

Its current policies bear close resemblance to the ideas advocated by Nikolai Bukharin in the 1920s. He argued that peasants should be encouraged to grow rich if by so doing they could supply food to the cities and create both a market for industrial produce and a pool of voluntary savings to be used for investment in all-round modernisation. Bukharin was shot by Stalin for his pains and remains a non-person in his homeland.

Today the Soviet Union is still badly fed, imports 40m tonnes of grain a year and supports a bloated heavy industrial structure whose main function is to supply the inflated needs of the Soviet military.

Over the past four years China has emphasised the first three of its four modernisation programmes — agriculture, industry and science and technology. Modernisation of the military has taken fourth place with a budget of $9bn plus an unspecified amount for research and development including that for its nuclear deterrent force, tucked away in the folds of civilian budget allocations.

International

The most spectacular results have been achieved in agriculture, aided by four years of good weather. By abolishing the hated and repressive commune system, encouraging farmers to select their own crops and raising procurement prices to international levels—production of grain and cash crops have soared. Peasant incomes and savings have risen rapidly as a result, and the entry of the peasantry into the cash economy has both improved food supplies to the towns and increased deliveries of industrial raw materials for the textile industry and a whole host of food processing activities.

At the same time higher rural incomes have provided a rising market for industrial products, especially consumer goods like bicycles, radios, televisions and textiles.

Chinese economists are stressing the development of light industry. This is partly because it is capable of producing quickly the kind of consumer items which are required to provide real incentives and a sense of rising living standards to a people deprived for too long. Another reason is that such industries are typically less capital intensive in a country short of capital, and bigger employers of labour, of which China has a huge and growing surplus.

A recent study quoted by economist Liang Wensen asserted that each one million yuan ($500,000) of fixed assets invested creates 94 jobs in heavy industry, 257 jobs in textiles and 800 jobs in small peasant sideline industries, producing pots and pans, crockery, clothing, handicrafts, small agricultural implements and other necessities. At the same time it takes an average 5 years 7 months to recoup capital in heavy industry and only 22 months in light industry.

It is hardly surprising that the Government is trying desperately to curb the investment hunger and wastefulness of the old Stalinist-style heavy industry lobby and shift investment away from grandiose steel projects and the like towards light industry and the fulfilment of ambitious plans to improve communications and other vital infrastructure development.

Curbing the appetites of what the Soviets call "the metal eaters" is proving a difficult task, however. Total investment in "capital construction" rose more than 20 per cent over plan last year and a sharp cutback in bank lending and moves to block some projects in course of completion has recently been decreed.

The need for technical updating and a more market orientated approach by the managers and planners in the huge, still largely state or province-run heavy industrial factories was dramatically underlined recently by the Minister of Finance. He revealed that some 18m tonnes of rolled steel is rusting away in Chinese warehouses while a further $31bn worth of obsolete machine tools suffer the same fate. Under the old system of quantitative indices, set by the central planning authority, the factories kept churning out the old lines, despite the fact that no-one was buying the products. In many places this still continues.

Meanwhile the decision has been taken to continue work on the huge integrated steel plant being built at Baoshan near Shanghai. This monument to the sort of ill-planned, grandoise projects started in the late 1970s is expected to cost at least $23bn, much of it in imported foreign machinery.

Inefficient

Apart from the legacy of over-manned, protected and inefficient state industries China also suffers from a still largely unreformed price structure. Huge subsidies to coal, electricity, basic foodstuffs and other items encourage their wasteful use and defeat attempts to use scarce resources more rationally.

The shortage of educated personnel, especially technical and management cadres, is another major weakness.

The future progress of the economy depends largely on the outcome of the present intensive exploration effort involving most of the world's oil majors. Hopes of quadrupling foreign trade to around $160bn annually by the year 2,000, for example, is heavily predicated on oil exports generating much of the hard currency required to import technology imports including those required for the oil industry itself.

Meanwhile, the policy of establishing relatively modest growth targets of around 5 per cent annually with the aim of leaving a margin for the unexpected and local initiative appears to be paying off.

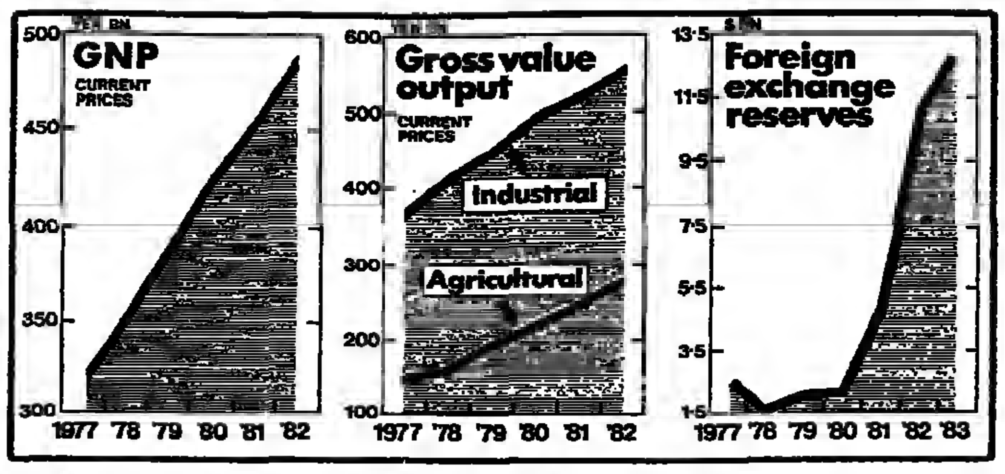
Agricultural output grew by 11 per cent last year and industrial production rose 7.7 per cent. These fast rates apparently continued over the first nine months of this year. Exports continued to outpace imports by 19.86bn yuan to 18.7bn yuan over the first six months and this, aided by tourist receipts, remittances and other invisibles, contributed to a further rise in reserves to around $13bn in August, up from $11.1bn last year and only $2.2bn in 1980.

China is still a very poor country and very backward compared with its non-communist Asian neighbours. But the last four years have seen substantial progress towards the goal of establishing by 1990 the general basis for substantial growth and modernisation in the decade beyond.

By the year 2000 China hopes to have quadrupled its national product and become a modestly prosperous industrial-agricultural country with a sound infrastructure.

The optimists say that China has learnt a lot through harsh experience over the last 34 years and will not brook any return to the errors of the past. There are many subterranean currents beneath the surface of this unique society of a billion people, and many imponderables. But risk-taking is what business is all about, and the rewards could be commensurate.

Production of light industrial goods such as televisions is being given strong emphasis



Individualism yields rich harvest

Agriculture

ANTHONY ROBINSON

ENRICHISSIEZ-VOUS... is a simple policy which has been enthusiastically followed by China's 800m peasants ever since Mr Deng Xiaoping sharply raised the prices paid to Chinese farmers, drastically reformed the commune system and re-introduced a large measure of individual enterprise to the farms.

The results have been impressive. Freed from the Maoist obsession with grain, farmers have been allowed to decide amongst themselves the kind of crops most suitable for their local conditions and positively encouraged to diversify into all manner of cash crops on the side.

As a result the acreage sown to grains has dropped by 8m hectares from 121m hectares in 1978 to around 113m hectares now. Far from falling however, the total grain harvest has risen from 305m tonnes in 1978 to a record 356m tonnes this year. At the same time the production of valuable export cash crops, like cotton — up to a record 3.65m tonnes estimated this year — tobacco, cashew nuts, rape seed and other edible oils, sugar and all kind of fruits and vegetables have all shown substantial increases.

As a result rural incomes have risen more over the last five years than at any time since the initial burst which followed the end of the civil war and the distribution of land to the peasants after 1949.

At the same time farmers and small traders have been allowed to take their own produce to market and set up stalls in free markets the length and breadth of this vast country. Food supplies to the towns have greatly improved as a consequence and so has the variety and choice.

But the greatest impact has been in the countryside. Travelling through the country one cannot fail to notice sturdy new brick cottages springing up in the villages, new silos being built to store the bigger crops and new bicycles everywhere.

According to local U.S. agriculture department specialists, farmers are now being paid close to world prices for their grain and even higher for some crops like soya. Consequently, demand is sharply rising for industrial inputs like chemical fertilisers, pesticides and small agricultural implements.

This is not to say that all farmers have benefited equally. The major gainers are those farming good land within easy reach of towns, especially market gardeners. For those farming marginal land in outlying regions, conditions have only marginally improved. Income differences are widening substantially as a result.

But the changes in rural life are not limited to farming. Higher incomes and greater freedom from bureaucratic controls have also led to a proliferation of small-scale rural industries so that, in some areas, up to 60 per cent of peasant family income is made up from sideline employment producing everything from construction materials to rural handicrafts, textiles, spare parts, and a wide range of light industrial products.

China still imports around 12m to 16m tonnes of grain annually, mainly to supply the big coastal conurbations which are easily supplied by sea but far from the main grain-producing areas inland. But as granaries start to overflow in some parts of Henan, Hunan and Sichuan provinces pressure is starting to grow from these areas to cut back imports and speed up the development of internal transport links to these markets.

Lower grain imports from the U.S. this year are partly a reflection of this improved domestic supply position. But U.S. farming lobbies, well represented in Peking, are actively seeking to expand their market by encouraging more grain feeding to pigs and poultry.

Meanwhile, the main opportunities for Western agricultural exporters appears to lie mainly in the supply of fertiliser plant — especially for phosphate and potassium fertilisers, insecticides, and in high-yield seeds and pedigree livestock for breeding rather than such areas as combine harvesters, tractors, and other labour-saving equipment.

As Mr Liang Wensen, one of China's leading agricultural economists, put it recently, increasing the supply of tractors, combines and other labour-saving equipment is equivalent to raising the labour supply—which is already over-abundant.

More fertilisers and pesticides, better seeds and other inputs increase yields. This is the equivalent of increasing the cultivated area.

In an over-populated country facing problems of soil erosion, deforestation, water shortages, and ever-increasing demands on land for housing and industry the second option is clearly the one to follow, and this is what is being done.

Results over the past few years have clearly demonstrated the enormous reserves of productivity and energy which were smothered by previous policies.

But farmers still have no legal tenure of the land they farm and enjoy no guarantees that they will be allowed to benefit indefinitely from any improvements they make. By the same token there is also no guarantee that the party, or factions of it, will not seek to reassert the power of party cadres in the countryside at some time in the future.

The absence of such guarantees poses a question-mark over the future willingness of Chinese peasant farmrs to raise production and invest in modern methods.

Hugh Routledge

Down on the farm: a worker in vegetable fields near Canton

AGRICULTURAL PRODUCTION
(million metric tons unless otherwise indicated)

	1979	1980	1981	1982	% change 1982-81
Grain	332.115	320.52	325.02	353.43	8.7
Cotton	2.207	2.207	2.968	3.598	21.3
Silkworm cocoons (thou. tons)	271.0	326.0	311.0	314.0	1.0
Processed sugar	2.5	2.57	3.166	3.384	6.9
Sugar cane	21.51	22.81	29.67	36.88	24.3
Oil-bearing crops	6.435	7.691	10.205	11.817	15.8
Tea (thou. metric tons)	277.0	304.0	343.0	397.0	16.0
Hogs slaughtered (million heads)	187.72	198.607	194.95	200.63	2.9
Timber (million cubic metres)	54.39	53.58	49.42	50.41	2.0

Source: China Business Review

All set for the great exploration

Oil

COLINA MACDOUGALL

FOR A few short months Guangzhou's (Canton's) latest luxury hotel will be home to the flower of the world's oil industry.

The White Swan, towering 28 floors above the Pearl River, is already housing 70 to 80 of BP's staff and has just opened its doors to Esso and Occidental. This time next year the number of oil men will have risen from dozens to hundreds.

By then the Chinese will probably have finished a new apartment and office block to accommodate them and the city will be launched on its new career as the Aberdeen of China. There should be between six and 10 rigs working offshore.

Since May this year the Chinese have signed contracts a series of consortia, led by BP, Occidental, Esso, Idemitsu and the Japan National Oil Corporation. Britain's Cluff Oil was expected to sign in early October, and Texaco was not long afterwards.

Mr Yu Dehua, vice-president of CNOOC (the China National Offshore Oil Corporation, an offshoot of the Ministry of Petroleum), is hoping all the contracts will be signed by the end of this year.

If oil is found, it will ease China's energy constraints which, with onshore production at a plateau of around 100m tonnes annually for the past five years, will grow more serious as the country industrialises. For that reason the South China Sea, the less prospective but more accessible Yellow Sea and the new onshore efforts to step up production are all essential to China's plans for industrialisation.

While the Chinese are anxious to complete the signing of all the contracts, there is speculation that American companies have held out for a better financial deal than BP because of the fall in oil prices and the recession.

However, both BP and the Chinese point out that under the bidding arrangements there are numerous factors to be considered besides the obvious profit factor. There is no doubt that Mr David Harding, the BP chief in Canton, looks like a cat with a saucer of cream.

For the Chinese the major problem with offshore development so far has come in their relations with the French company Total Chine. Total began drilling in May 1980 under a shared-risk contract (unlike the recent round of deals with the international majors in which the foreign company accepted all risks).

Since then four out of the 14 wells have produced oil, but the French side maintains that under the terms of the contract (signed when the world price of oil was around $35 a barrel compared to $30 today) they are not a commercial proposition.

Comfortable

The French are now pulling out all their drilling personnel and both sides, according to Mr Zhu Xiling of CNOOC's branch company, Nanhai West Oil Corporation, are evaluating the data.

Total staff say they cannot afford to continue under the present contract's terms, but Mr Zhu stresses that China is not prepared to negotiate a new deal at the moment.

Other foreign oil men suggest that Total jumped into its contract too quickly and in any case expected too comfortable a base onshore. The Total village, with its neat two storey houses, restaurant, bar and swimming pool, is costing the company an astronomical rent.

The bidding system under which the recent contracts have been signed for exploration blocks is highly complex. Bidding companies had to state how many wells they would drill, how much seismic work they would undertake and how much money they would spend during the first three years of the five-year contract. They had to repeat that for the next two years. For blocks larger than 2,000 sq km, the contracts ran to seven years, so bids had to be made for a further two years.

The Chinese were also prepared to consider "sweeteners," such as offers to train staff or build computers. They clearly also took politics into account.

Finally companies had to state what profit they required (the x-factor, as it is called) at each of seven possible levels of production.

On the companies' side they had to juggle with the different blocks to ensure as far as possible they bid for a combination which were both what they wanted and what the Chinese would reckon appropriate.

None of the companies will discuss their contracts, so it remains to be seen whether their deals will work out better than Total's.

BP plans to start drilling in late October or early November with one rig which it will move to each of its blocks in turn as it completes a well. Occidental and Esso will follow early next year, with the others expected to come along quickly behind.

Over the past few months China has been finalising its administrative pyramid to handle the new industry and as far as possible preparing its onshore bases. In the model contract on which all the oil companies' contracts are based the Chinese stipulate that where Chinese service organisations are competitive, they must be given preference. Since the industry is new, these hardly existed until CNOOC began to set up a framework this year.

This framework is now in place in the South China Sea oil bases. CNOOC has spawned two offshoots: Nanhai West, which functions at Zhanjiang, close to Hainan Island round which many of the exploration blocks are located: and Nanhai East, based in Guangzhou.

Nanhai West has a workforce of 10,000 in Zhanjiang to provide services for the oil companies which are already there (Total and Arco, both of whom signed contracts before the recent round of international bidding).

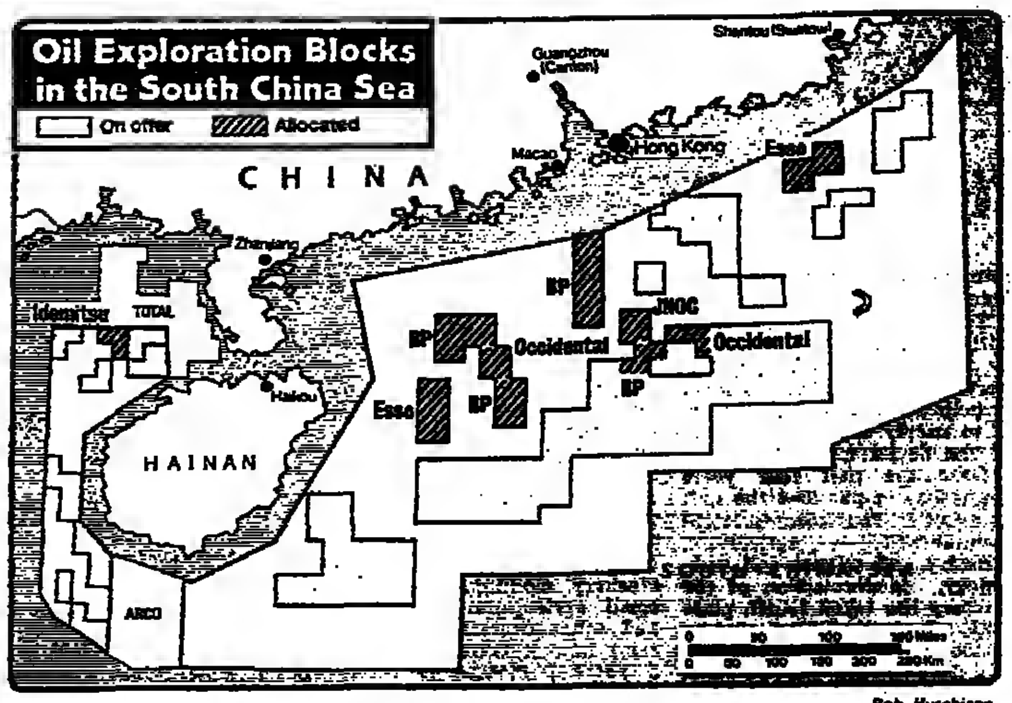
Nanhai East has a service branch, the China National Offshore Joint Services Corporation, which handles these matters in Guangzhou and the nearby base at Shekou.

Foreign service companies such as Racal (which is positioning rigs) have set up joint ventures with CNOOC and some are already functioning.

With some satisfaction BP notes it is well ahead of the competition in setting up shop and getting the pick of facilities at Shekou, in the Special Economic Zone (SEZ) just across the border from Hong Kong.

This time next year the oil wharf at Chiwan in the north of Shekou will be ready for occupation, and BP expect to settle in comfortably there.

Incoming oil companies seem to be following BP's example. While Esso and Occidental, like BP, have blocks in both Nanhai East's and Nanhai West's areas of jurisdiction, both have opted for Guangzhou rather than Zhanjiang as base.



Bob Hutchison

Combination

Zhanjiang is nearly two hours by antique Soviet Antonovs from Guangzhou, the airstrip is tiny and without radar and there is only one telephone line. Although the port seems well equipped with supply boats and similar facilities, most companies are going to prefer the combination of Guangzhou and Shekou.

By contrast development in the Yellow Sea is slow. Facilities which will be provided by a sister corporation to Nanhai West and East, the South Huang Hai Oil Corporation, are not yet required. BP is still doing seismic work and the other companies have not yet arrived.

Onshore, China is not contemplating joint ventures with foreigners. Up till now and for the foreseeable future, foreign services are supplied only under contract. However, the country has purchased significant amounts of seismic, data processing and petroleum equipment.

Its main onshore fields lie in east and north-east China (where its largest field, Daqing, produces at least 40 per cent of its output) and in the far west in Xinjiang.

Daqing, in production since the mid-60s, is to get important new inputs of equipment under a $162m loan from the World Bank. These will include drilling and seismic equipment, production and surface facilities, a training centre and other technical assistance. Peking is also expected to buy another $65m worth of pipe.

A new field at Zhongyuan in Henan province will also be developed with a World Bank loan of $100.8m, with another $56.7m to be raised through supplier's credits or domestic resources. A call for bids is expected this autumn, to cover drilling and production equipment, a gas treatment plant and training centre, computer and other technical assistance.

Other World Bank projects may later include gas and condensate production at Zhongyuan, enhanced production at older fields in Xinjiang and Shandong province, and gas development in Sichuan.

Seismic teams from the U.S., France and Japan are working in Xinjiang, Qinghai and Inner Mongolia while Chinese seismic crews operating throughout the country are believed to number about 200.

C. MacD.

'Pointless' search which turned up trumps

"The RUSSIANS said there was no point looking for oil in the Bohai gulf area. But we searched all the same, and imagine our joy when we first struck oil here back in 1964," Mr Duan, the diminutive crewcut director of the Dagang oil field, some 50 km south of Tianjin laughed as he recalled the birth of one of China's oldest on-shore oil fields nearly 20 years ago.

It is a bleak place even now, a vast expanse of salt marsh, criss-crossed with causeways and bridges and populated by drilling rigs, nodding oil donkeys and the occasional elegant stork. But when the first exploration teams went in they lived in tents surrounded by mud and nothingness.

Now over 40,000 oil workers with their families live in serried rows of one-storey brick cottages built on bare mud with narrow alleys between or, the luckier ones, in the four to five-storey blocks with small balconies now rising from the marshes.

Together they produce over 3m tonnes annually from the four oil strata which lie between 2,000 and 4,000 metres beneath plus some 600m cubic metres of gas which is mostly pumped to nearby petrochemical plants. Reserves are a touchy subject. But output should be around 4m tonnes annually by 1986 and the oil should last for over 50 years at that rate. But new finds are still being made.

The "responsibility system" has been introduced here too. Formerly drilling teams completed two 2,000 metre wells a year. Now they drill twice as many—and bonuses well exceed their basic pay.

Wives too have responded and are busy trying to raise sunflower and other cash crops and reclaim the salty soil from the marsh plants and reeds.

Market stalls have also sprung up beside the housing estates as peasants from nearby farms bring in their private produce to sell. The bustle of honking trucks, weaving bicycles and crowds shopping in the street market bring life where once there was silence.

Neat piles of bricks and high rise building cranes dot the landscape and in the distance an oil-fired power station supplies energy to the nearby port and industries of Tianjin.

"Next time you come you won't recognise the place," said Mr Duan expansively as we parted.

"Over there," he said with a wave of the hand, "will be the new swimming pool, there the new cinema and cultural centre and there beyond the new workers university." If you closed your eyes really hard, you could imagine it.

Anthony Robinson

Hong Kong's little brother

Shenzhen special economic zone

ROBERT COTTRELL

THINK OF a number, double it, double it again. Enter into the spirit of economic forecasting in Shenzhen, China's boom town on the capitalist frontier.

Five years ago, Shenzhen's tallest building was a five-storey guest house, while its industrial output from mostly agriculture-related production totalled Renminbi 60m Yuan. This year, Shenzhen has 60 high rise blocks under construction, and is seeking foreign investors to develop a U.S.$2bn petro-chemical industrial complex.

Shenzhen's gross domestic product in 1982 was U.S.$420m, according to official figures, but local hopes are that economic growth is only just beginning. A rose-tinted 20-year blueprint for Shenzhen's growth looks for GDP of U.S.$3.5bn by the year 2000, with population growing from some 120,000 now to around 800,000. Shenzhen wants its own university, its own international airport, even its own currency.

At heart, it wants to be just like its big brother across the border — Hong Kong.

Shenzhen is one of China's four designated "special economic zones" whose regulations were formally established in legislation passed in August

Experiment

The SEZ's are designed, in the words of one analyst, for "observation, study and experiment" using capitalist methods within China. While not quite the place for full-blooded speculative profiteering, the zones do make an energetic effort to sell themselves to foreign investors on the basis of 15 per cent tax, cheap land and — by Chinese standards — flexible labour law.

Shenzhen is the only zone already to have developed into an entity of economic significance. Next in line is Zhuhai, which abuts the Portuguese enclave of Macao. Further east along the south China coast are the relatively undeveloped Shantou, and finally Xiamen in Fujian province, the only zone not to be located in Guangdong province.

Foreign investors are invited to put their cash into the SEZs on various forms of joint-venture basis, generally ensuring a profit-sharing with and eventually reversion of fixed assets to the local Chinese partner. Chinese commentators are at pains to explain how this form of foreign investment differs from what China remembers as the shameful past experience of having portions of its territory seized by foreign powers as trading bases. In the special economic zones, foreign investors, while permitted a fair return on their capital, are investing on Chinese terms and ultimately assisting China's own socialist modernisation.

Sentiment

Moreover, the foreign investors in the special economic zones are themselves mostly Chinese — overseas Chinese, retaining family and sentimental links with the mainland. An estimated 90 per cent of foreign investment pledged to Shenzhen comes from neighbouring Hong Kong. In May this year, foreign investment totalling HK$11bn had been pledged to Shenzhen—money which will be spent only if all phases of all planned projects are actually built. Money actually spent in the zone by foreign investors by May totalled a more modest HK$1.7bn. Of that, the largest non-Hong Kong investment was of U.S.$5.5m in a Pepsi-Cola bottling plant, four-fifths of whose production is sold in Hong Kong.

Shenzhen has had its teething troubles. An early attempt at establishing a vehicle assembly plant proved impracticable. A hotel developer promised an electricity supply found that, by the time the hotel was ready to plug in, so many other enterprises had tapped power from the new line earmarked for his hotel that yet another line had to be provided.

Gradually, new roads are being completed, border formalities made less obstructive, telephone links established. Shenzhen has its industrial success stories to boast of—the Pepsi plant, a successful furniture exporter, electronics assembly, smart hotel accommodation. Shenzhen's more sophisticated industry is concentrated in a section of the zone called Shekou, which is under the management of China Merchants Steam Navigation, a Chinese shipping and trading company. Adjacent to Shekou is Chiwan, destined to be a main support base for China's offshore oil effort, on which will in turn be based Shenzhen's hoped-for petrochemical complex.

For Shenzhen's workers, the cash rewards are relatively high. Take-home wages can top US$50 per month, twice the rates payable in nearby Canton. Successful entrepreneurs can also find themselves popularly feted. The People's Daily newspaper earlier this year celebrated bedstead maker Lin Guangshun and restaurant manager Zhou Hung as businessmen who "dare to strike bargains," and who do not share "the ideas of the small peasant."

Some cynics, noted People's Daily colourfully, think that in SEZs "you need only lie down on the sofa and cakes will come falling from the ceiling."

Not so, said the paper's commentary. "In Shenzhen, nobody can guarantee you survival or development. If you know how to achieve results and acknowledge the principal that results count, then you can do five cents of business with one cent of capital and your business will prosper."

Shenzhen is spared a destabilising influx of people from other parts of the country by China's strict regulations on residential and labour mobility. But to reinforce the point that Shenzhen stands apart, a fence is being completed along the SEZ's other border, insulating it from the rest of China to the north, with the Hong Kong border lying to the south.

High flyers

At the same time, Shenzhen enterprises are encouraging high flyers from other parts of China to bring their skills to the zone, if those high-flyers can obtain permission from their local work units to make the transition.

And increasingly, Shenzhen is establishing joint venture and co-operative projects with other Chinese authorities to assist in the sharing and spreading of skills.

While Shenzhen is still in its early days, it seems clear that it might have progressed more rapidly as an industrial centre had it not allowed so much investment to be channelled into the property sector.

Reflecting Hong Kong's own preoccupation with property profits, some 70 per cent of foreign investment is estimated to have been concentrated in residential and commercial real estate.

With Hong Kong's own property market now bust, Shenzhen property is a less attractive proposition, and new investment into the zone over the last year has dipped accordingly.

What will probably save Shenzhen from being "Hong Kong's back yard," as some industrialists sniffily refer to it, is China's oil effort, which will involve massive capital flows, and whose associated benefits China is determined to concentrate within Chinese territory.

Shenzhen's success is important to China, and not only for the lessons which it brings about accommodating and profiting from foreign investment. It is the public flagship of China's liberalising economy, a proof that there is nothing inherently uncompetitive about Chinese skills and Chinese labour if they can only be freed from bureaucratic and ideological constraints.

Read as a political gesture, Shenzhen is telling Hong Kong that Hong Kong has little to fear from a reunification into a China which is every day becoming more like Hong Kong itself.

That is the hope. But Shenzhen, let alone the rest of China, has a lot of catching up to do.

Profile: Yu Dehua

The technocrat moves into diplomacy

YU DEHUA, Vice-president of the China National Offshore Oil Corporation, is a slim, friendly man with a finely drawn face. Born in 1931, he was educated at Peking's famous Qinghua University during the 1950s. A chemical engineer, he worked on the gasfields in Sichuan and in the Petroleum Design Institute in Chengdu, the capital of the province.

For all his open necked shirt and flipflops, Mr Yu's educated background is unmistakeable and it is no surprise to hear that he ended up during the cultural revolution working as a cleaner in the Institute.

The cultural revolution was particularly violent in Chengdu and many people were killed. But he resumed his work when China began to pick up the pieces afterwards and was posted to the China National Oil and Gas Exploration Corporation.

His work for CNOOC, set up after China began to look seriously at the opportunities for offshore development, has brought him into contacts with the world's top oil men. Though he uses an interpreter, his English is good. At Qinghua in the 1950s, he says, in the engineering department the textbooks were mostly in English and the teaching in English, so he was able to build on his secondary school foundation.

By training a technocrat, Mr Yu has become a diplomat now he's moving in a world where oil is politics. Before I left him he made an impassioned plea to foreign businessmen to believe in the new China, dedicated to bettering its living standards with the aid of foreign expertise.

"One last thing," he said. "I hope that when you go back to Britain you will tell foreigners that the 'open door' policy is a firm, long term policy as Premier Zhao Ziyang has said, particularly in relation to the petroleum exploration contracts we have been negotiating with foreign companies."

"We know some people abroad have doubts about our policy but I'd like to say that it remains unchanged."

"We also believe that the fall in world oil prices has not had much influence on the first round of bidding for exploration blocks and it has been carried out quite smoothly.

"As Premier Zhao also mentioned, during our negotiations on contracts, foreign companies may have encountered some inconvenience because of our incomplete legal system. In fact, our government has taken some steps to improve in these areas, and if there is still any problem we will try to help. The Government supports our co-operation with foreign companies."

Mr Yu's speech indicates some concern on the Chinese side at foreign doubts about whether the huge investment required in the offshore exploration would ever bring a return. This concern may be justified by the experience of the French company Total, who are pulling out at least temporarily from their South China Sea venture after spending around $100m. They are seeking to renegotiate their contract, signed in 1980 before the world oil price dropped in the recession.

A.R.

The window to watch: a Shanghai shopper eyes up a western-style suit Hugh Routledge

Drive to reverse industrial decline

Shanghai

MARK BAKER

SHANGHAI IS adopting an oggressive drive to attract new foreign investment, expand trade and rejuvenate its industry to maintain its status as China's premier industrial centre in the face of some stiff competition from other parts of the country.

Shanghai is still China's leading exporter. But in 1981 its share of the country's total exports fell from 20 per cent to 17 per cent and it is believed to have fallen further last year. The slide eppears to have been caused by the ageing of many of the city's factories, its slowness in improving product quality and variety and the relative dexterity with which other parts of the country have developed their industries and wooed foreign capital.

The city's relative tardiness in attracting foreign investment is illustrated by the fact that between 1979 and the middle of last year it signed contracts worth $200m. In the same period, the Shenzhen special economic zone bordering Hong Kong attracted contracts worth $1.8bn.

But the municipal government is moving quickly to reverse the trend. Shanghai's plans to promote growth are being concentrated in three spheres—development of three new economic development zones, plans for a more generous package of incentive for foreign investors and intensive export promotion overseas.

In what Mr Gu Shuzhen, director of the municipal finance department describes as "blazing a new trail" and answering the challenge of Shenzhen, a new export processing zone is being established in the city'a south-western Minhang district. It has been designed to shift industry away from the older, congested parts of the city and put new emphasis on light industrial production inclnding electronics, watches and construction materials.

A broader economic zone is being formed to cover the Yangtze Delta, encompassing an area of nine smaller cities and 57 agricultural counties. The annual agricultural and industrial outpnt of the area already averages $1,000 per capita, the national target for the year 2000. It envisages strengthening ties between the cities and counties to create greater efficiency and faster growth.

The third zone, at Hongqiao on the outskirts of the city, will be a satellite city for enterprises involving foreign investment. Construction began only late this year on the zone, which will have modern residential, office and factory space.

Until last year, Shanghai had formed equity joint ventures with only two foreign companies, a relatively poor result compared with the efforts of the southern provinces of Guangdong and Fujian and the national investment promoter, China International Trust and Investment Corporation (CITIC).

Compensation

The general manager of the Shanghai Investment and Trust Corporation (SITCO), Mr Hsu Bangfai, concedes: "In the past few years we have been groping. Bnt now we have had time to see what is best for us and we are in a good position to press ahead."

Four U.S. companies signed joint venture agreements in Shanghai last year, three industrial and one property development, and several other U.S. companies are engaged in compensation agreements. Volkswagen has established a vehicle plant and Pilkington is to build a float glass factory. According to Mr Hsu, negotiations are continuing with "many" other foreign companies.

In attempting to boost foreign investment, SITCO is emphasising the city's advanced infrastructure and port facilities, and the fact that they are able to enter investments of np to to enter investments of up to $10m without reference to Peking.

The city is also seeking approval from the central Government to offer even more liberal incentives than already apply throughout the country, although it is not clear whether the Government, which recently ratified a new national incentives package, will agree.

Shanghai wants to extend the present tax holiday for joint ventures from two to three years and the half-tax period from a further three to four years. It also wants to extend loans to ventures that have difficulty generating quick export earnings, and has proposed lower land rents and greater freedom for ventures to hire and fire workers.

While continned expansion of Shanghai's industry will depend on greater foreign investment, the city has a further problem in modernising its existing 8,000 factories, many of which are obsolete. A total of 250 factories are to be renovated by the end of this year, but further massive investment will be required to continue the job.

Meanwhile, more than 50 new factories have been established since last year to cater exclusively for export trade, with a new emphasis on better quality and greater variety of silks, textiles and other light industrial products.

Shanghai's export earnings slumped 10 per cent to $4.5bn in 1981 and "didn't grow" last year, according to local officials. But there is believed to have been a resurgence this year.

More than 400 teams were sent abroad last year to promote exports and there are plans to appoint more sales agents overseas. A foreign trade consulting services corporation was formed recently to help manufacturers boost exports.

According to Shanghai's mayor, Mr Wang Daoshan, who led a trade and investment promotion tour to the U.S. earlier this year, a key to further export growth will be better co-operation with other provinces and enterprises within China as well as overseas interests.

Much of Shanghai's prosperity was built on the stranglehold it had for many years on re-exporting products from other parts of China for which it compensated provincial manufacturers in local currency but picked up vital foreign exchange itself. Since 1980, provinces have been able to bypass Shanghai and other big ports and sell directly overseas.

The consequent loss of revenue and increased competition of this new era of provincial autonomy has underscored the change in Shanghai's fortunes. It has also made it imperative for local officials to smarten their performance if the city is to achieve its target of quadrupling the output of its industry and agriculture by the turn of the century.

Building up a bright future

Tianjin

COLINA MacDOUGALL

WHEN PEKING'S leaders found no-one on the spot could cope with the problems of China's third largest city after it was struck by earthquake in 1976, they sent for a troubleshooter. He was Mr Li Ruihuan, now China's youngest mayor and a carpenter by trade. With a broad, lined face and chunky physique he looks more than his reported 40-odd years, but it's politically fashionable these days in China to be young. Deng Xiaoping, no chicken himself, is easing out anyone over 60.

"When I came here as deputy mayor in 1981 there were three big problems," Mr Li says. "The roads were lined with shacks, traffic was redneed to a crawl, and the water had turned salty. Now we've cleared the shacks and rehoused the people, the traffic moves and we've diverted the Luan river to supply the town."

Captured by the British in the 1860s, Tianjin (Tientsin) became a treaty port with an international commnnity. Less wickedly glamorous than Shanghai, it was a thriving city with busy docks and factories. Handsome porticoed buildings still line the streets, and the riverside bears a passing resemblance to Shanghai's famous Bund.

In 1976 it was hit by the same earthquake that killed around 250,000 people in nearby Tangshan and 70 per cent of the buildings were damaged. After a series of not-too-capable urban leaders, Peking installed Mr Li.

"The local economy's still growing slowly," he says. "Only 6 per cent last year — that's virtual stagnation. We've been sorting out our other problems." He's been the right man for these, with his experience in the Peking construction bureau and before that on a building site. He's so famous in China that some of his exploits have been incorporated in a film—"Young Carpenter Lu Ban."

Potentially Tianjin is hugely rich. Forty miles from the sea, it sits almost on an oilfield—Dagang, on the salt flats surrounding the Bohai Gulf. There's coal within a few miles and a densely populated and prosperous hinterland.

"We don't have fuel shortages here," says Mr Li. "We just ask the Dagang manager to produce a few tonnes more for us." Natural gas provides feedstock for a new synthetics plant, chemical factories have grown up out of the old salt industry, and the foreign capitalists founded textile mills that still flourish.

Mr Li's attitude to Tianjin's social problems is deeply pragmatic. "We'd have unemployment if we didn't allow private business. If a young man wants to go to the seaside to buy a few shrimps to sell here in the market, why should we mind?"

Out of the 40,000 odd enterprises in Tianjin, 70 per cent are collectively (that is privately) owned. Small as they are, they contribute 30 per cent of the city's output.

The cultural revolution left a burdensome legacy in Tianjin. "About a million people here missed out education here. We have to supplement it with spare time classes. The lack of schooling hampers the development of industry.

"Crime? Yes, we've shot a few thieves and rapists, but I wouldn't put the total number criminals above 1,000."

Tianjin is eagerly seeking outside business contacts. Already it has 150 co-operative ventures with foreigners. But joint investment has been slow in coming. Early in 1980 the city set up its own investment-seeking body (the Tianjin International Trust and Investment Corporation) which has signed eight joint equity ventures and licensing agreements.

Independence

Tianjin is allowed to approve deals up to the value of $10m. "We've got quite a lot of independence from Peking, but we ought to have more," says Mr Li.

Contracts so far include a deal with Otis for lift manufacture and Remy Martin for making (surprisingly good) wine. The city is not involved in the offshore oil search in the Bohai Gulf nearby, but will be allowed to participate in supply services.

Forty miles downstream—in effect, at the end of a huge conurbation—the city is building a new port, Xingang, to supplement the old docks at Tanggu just a few miles away. Xingang's three container berths for ships up to 30,000 tons will be finished by 1985 (one is already operating). Twenty-two other berths are complete and the port management has big plans for more.

Today the suburbs of the city stretch in an almost unbroken line of brick houses and shops to the wilderness of apartment blocks springing up behind Xingang. Construction traffic jams the highway as laden lorries bunch up nose to tail behind the horse-drawn carts.

At the docks, the Chinese-built travelling cranes tower like cathedrals over the wide open spaces where containers lie neatly parked.

"We've got a lot going for us here in Tianjin," says Mr Li. "By the year 2000, the city will be a mighty international port and the industrial nucleus of north China." If nothing happens to dislodge the present pragmatic leadership in Peking, he might be right.

Muscle power

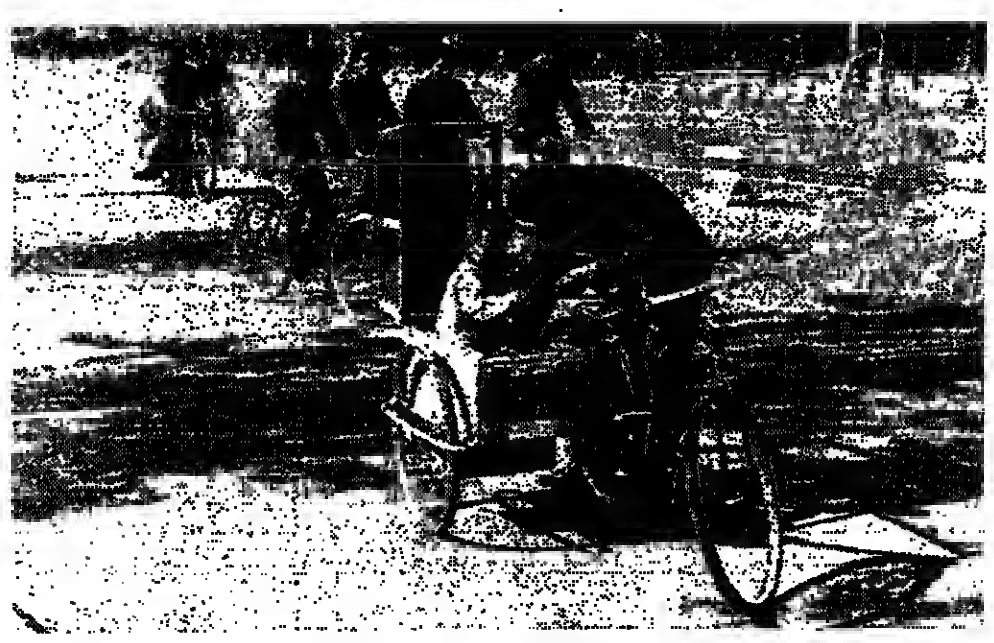
HUMAN MUSCLE power is what moves mountains in China; it always has and with a population expected to rise to 1.2bn by the year 2000 is likely to continue to do so for a long time to come.

Hard manual labour is the main source of income for peasant and industrial worker alike. Although massive investment is now being poured into the building of new and double tracked railways, expanded ports and raising truck and bus production the bicycle is still the most popular form of transport.

Last year China produced 24.2m bicycles — but only 196,000 motor vehicles of all kinds, 40,000 tractors and 486 railway locomotives.

One sturdy bicycle, like the popular "flying pidgeon" brand, will carry a whole modern family — husband, wife and one child carefully strapped on the driver's back. It will also be pedalled miles carrying pigs, ducks, huge wicker panniers of fresh vegetables, or sacks of rice to market — and bring back precious items — like wardrobes, chests of drawers or television sets.

Transformed into a tricycle with a wooden platform the bent-backed, sweating cyclist-driver risks life and limb carrying a small truckload of coal briquettes, iron reinforcing bars or cement construction materials. It is an awesome sight.



On their bikes: the bicycle is China's most popular form of transport

Mrs Wang and her yuan

How much do China's countless millions of manual workers earn and how do they live? "One hundred yuan a month," came the quick reponse from a party official at the southern port of Zhan Jiang which is currently being turned into one of the main service ports for the offshore oil exploration effort.

It sounded a suspiciously round sum that 100 yuan so we walked up to Mrs Wang—black cotton shoes, grey baggy pants, grey shirt, conical straw hat and brown smiling face—who was busy shovelling gravel into a metal pushcart and asked her. "One yuan 40 fen (70 U.S. cents) a day," she said firmly.

How many hours a week, we asked. Eight hours a day, six days a week, she replied. By my calculation that came to 8 yuan 40 per week or 32.60 per month. "Ah, but what about the bonuses and the overtime," pressed the party official until finally she agreed that in total she might make 40 to 50 yuan a month.

What about here family? Middle-aged Mrs Wang had a husband, who also worked, and six children, some of whom were also working. Did she often manage to put meat on the table? Oh yes, quite often, she said laughing.

And had things got better recently? "Oh yes, much better." Since when? "Oh, I cannot remember exactly but there is lots more to buy in the shops and markets now, even though prices are higher."

It was 95 degrees in the blazing sun and all around gangs of men and women were shifting gravel, shovelling sand out of ancient sanpans and junks or hurling heavy rocks into the sea to form the breakwater of tomorrow's oil port. But Mrs Wang was smiling and so were her friends, and so were the men in the sanpan. Don't ask me why, but they were smiling.

Anthony Robinson

How four years of radical reform have helped China's pace-setting province to look after its rapidly increasing population

Launched into a new economic orbit

Sichuan

COLINA MACDOUGALL

FOUR YEARS ago for the first time, a Financial Times team went to China to write a survey. The last stop was Chengdu, capital of China's most populous province, Sichuan. At that point, the country stood on the brink of Deng Xiaoping's economic revolution. Premier Zhao Ziyang, then party secretary of the province, was visiting England and the FT team was received by the vice-chairman of the Provincial Revolutionary Committee, He Haoju.

Since then, Deng's reforms have abolished the Revolutionary Committees, turned Mr He into a vice-governor and launched China—and spectacularly Sichuan—into a new economic orbit. In 1979 Mr He spoke to us at length and with anxiety about the race between food production growth and population (now over 100m). One look today at the free markets and a pause for reflection on the pressures of the one-child family campaign suggests that the province may be winning the race.

Chengdu, a city of more than three million people, is half hideous factories and flats and half traditional brick houses. Old-style Chinese courtyards lurk unexpectedly in the side streets. Even in 1979 the bustle was impressive but today the huge free markets are a shopper's paradise. Four years ago the occasional enterprising peasant brought a barrow of greens to sell at a street corner. One memory sums it up—a little old lady in black with her six aubergines for sale lovingly spread around her on the pavement.

Today the free market near the Jinjiang hotel stretches for nearly a mile—and there are at least three others. The trestle tables groan with radishes and cabbages, apples and pears, peanuts and lotus. The huge sides of pork, the well-padded ducks, would bring tears of joy to the eyes of a Polish worker. Chengdu is special since distant peasants can cycle over the flat terrain into town with their produce but even Chongqing built along cliffs above the Yangtse is fairly well supplied.

Street markets in Sichuan: a shopper's paradise

Beyond the suburbs life may be more of a struggle. Sichuan is not the grain-exporting province it was in the late 50s. With the population pressures, grain output can probably do no more than just keep up and away from the cities there are many fewer profitable peasant sidelines.

Industry, which contributes as much as 50 per cent to the province's income, is more of a problem. Sichuan has great potential resources of coal, hydropower and minerals but its natural gas is running out and its factories are old. Technical change seems to have only just begun in Chongqing, which is a centre for the arms industry.

Here the People's Liberation Army has taken to heart Peking's recent injunction to turn swords into ploughshares (the army budget has been cut and defence factories told to make consumer goods). One plant has been re-equipped with Honda machinery to make motorcycles. There is an obvious market in Chongqing for these since the hills make pushbikes impractical and the price is not excessive (only Y600).

Zhao Ziyang's promotion to Peking does not appear to have reduced Sichuan's pacesetter role. The province was the first to streamline its local government by abolishing the prefecture level (above the county) and recently Chongqing has been given a measure of economic independence from Peking.

Sichuan's traditional independent spirit has inspired the province's Foreign Trade Bureau officials to strike out on their own. In spite of their landlocked position they now handle as much as a quarter of their foreign trade. They are able to talk directly to foreign businessmen and sign contracts themselves when they know they can supply top quality.

The Foreign Trade Bureau has a representative in Hong Kong and it plans soon to despatch one to Japan. Since 1979 it has signed around 120 co-operative agreements with foreign companies. It has made $25m out of processing and assembly work and imported $49m-worth of equipment. Sichuan's biggest market is Hong Kong (35 per cent), with Japan and the EEC tying at 10 per cent apiece.

Until 1979 the province had to sell all its produce to the trading corporations in the big ports. Now, even from the 75 per cent that travels that way, it gets a slice of foreign exchange for itself.

Sichuan's entrepreneurial flair has found unlikely expression in Mr Huang Renli, Deputy Manager of the Chongqing Watch and Clock Corporation. Mr Huang, a Buddha-like figure from the fringes of Chongqing, has joined the international jet set with his frequent trips abroad.

In 1979 he simply ran a factory. Now he helps to manage a multimillion Yuan enterprise with an output up from 280,000 watches and clocks in 1979 to a projected 1.2m this year. One week last month he played host to a group of West German timepiece manufacturers, the week before he went to Switzerland for an exhibition. His corporation now sells over 100,000 alarm clocks to Britain.

Intellectuals

Tourism has clearly blossomed. In 1979 a colleague and I sat in lonely isolation in the vast dining room of Chengdu's Jinjiang Hotel. Only one family of Filipino Chinese presaged the hordes of overseas Chinese and foreigners on tours who today engulf the place. The Hibiscus restaurant down the road was dark and deserted, while today it hums both with visitors and locals, including the occasional private trader selling rubies from Burma.

Sichuan University in Chengdu is another story. The economic revolution has not become a political one. The staff-student ratio, boosted in the cultural revolution when leftist thugs were sent in to supervise intellectuals (as the foreign university teachers of the time assured us) is still 1:3. "Foreign Affairs Department" bureaucrats still sit in with us on what is supposedly free discussion of economic problems.

This is a backward step—when in 1979 we spoke to Peking academics (admittedly closer in every way to Deng) the conversation was striking in that the Chinese side initiated discussion of western economic thinking. But those were freer days—before Deng clamped down on the "democracy movement" of the time.

There is some effort in the university to spread the techniques of western management (Chinese teachers go to the foreign-run management school at Dalian and pass on the word when they return) but this is little help when the posting system for graduates pays small attention to their abilities or wishes. It's a pity Sichuan can't be more of a pacesetter in that too.

Goodbye to the commune

SICHUAN province is Breughel country, a medieval land of bucolic peasant farming. In the well watered plains of fudge-like black earth which extend for hundreds of miles around the capital of Chengdu, sheaves of rice stalks stand in the paddies under conical rice straw hats while peasants plough behind lumbering buffalo. Every inch of land is cultivated so the effect is of an endless vista of tiny market gardens.

The province is home to 100m Chinese, one tenth of the entire population and the combination of fertile soil, water and warm climate allows rice to be followed by winter wheat. The two crops combined make Sichuan one of the great granaries of China.

Since 1977, the year following the downfall of the Gang of Four, grain production has risen by an average 2m tonnes annually from 27m tonnes to 37.3m tonnes in 1982. This year saw another good harvest. After a hesitant start the whole province has enthusiastically embraced the new responsibility system and by next year, or 1985 at the latest all the former 8,500 communes will have been converted to the Xiang or township system.

Private

One commune which has already taken the plunge is Xinmingxiang, about 40 km from Chengdu, along tarmac roads thronged by trucks, bicycles and flocks of straggling ducks.

The changeover started cautiously with 2 of the 135 brigades (equivalent to villages) trying out the new system in the winter of 1980. It has proved so popular that all the brigades have turned over to the new system which sees a drastic reduction in the former all-powerful role of the party.

The party still has a general overseeing role and must be consulted on major investment and other decisions. But local administration is looked after by township officials while the farmers and their families form the basic unit of economic management. They are free to grow what they think best on the land allocated to them and to sell on the free market, or consume, any crops above their quota to the state, including of course the crops and livestock raised on their small private plots.

According to Mr Jia Hekuen, manager of the newly formed township agricultural, industrial and commercial corporation, the results have been little short of astonishing. In 1980, the last year of the old system, grain production amounted to 8.8m kilos and total income of the township was 6.2m yuan (around $3m) divided amongst the areas 4,800 households and 20,000 inhabitants.

Last year grain output rose to 11.8m kilos while total income rose over 50 per cent to 8.26m yuan ($4.6m). The pig population meanwhile rose from 13,600 to 15,600. Their average slaughter weight increased by 20 kilos per pig over the period.

What is even more extraordinary about these figures is that this higher production, matched by equally substantial rises in vegetable production and cash crops like rape seed, is that they took place while the average number of days worked on the land by each farmer fell from 200 to 250 days per year under the old system to a mere 60 days per year under the new.

Instead of hanging around in the fields gossiping and smoking just in order to gain work points for attendance farmers and their families now work hard on their miniscule plots (only 18,090 mu divided among 4,800 families) and spend the rest of their time either involved in local industries like construction materials, building, small agricultural implements or manning their market stalls.

Chinese statistics are notoriously unreliable. But for someone like this correspondent, who has had five years to develop scepticism about Communist success claims, the visual evidence that an agricultural revolution has indeed occurred is convincing.

The best proof is to be found in the long, narrow village main street of Xinmingxiang, the township centre, whose open front wooden shops are packed with implements, clay pots, bicycles, textiles, toys and steaming noodle shops and whose even narrower pavements are thronged with vegetable stalls, roast duck vendors and great slabs of pork on giant skewers. The countryside too is dotted with improvised, roadside meat shops and old ladies manning barrows of brightly coloured nicknacks.

But for those who like their proof in the black and white of statistics here are just two. The free market price of rice has plummeted from 37 fen to 22 fen (100 fen equals 1 yuan) over the past two years while farmers' saving accounts have soared from 73,600 yuan to 810,000 yuan in the same period.

While it is more than likely that Xinmingxiang is a model township which has far outperformed the average it is difficult to make what the Russians call a "potemkin village" out of a 40 kilometre stretch of countryside or along the hour-long route from the airport to Chengdu. Much the same scenes of evident rural prosperity, new house building (much of it extremely ugly compared to the almost Tudor style mud and wattle, timber-framed traditional thatched farmsteads) flocks of ducks and chickens, pig sties and bulging sacks of grain could be seen throughout.

Mistakes

Sichuan is not China. But it is one-tenth of China and the rate of grain increase registered in Sichuan over the past few years has been almost exactly 10 per cent of the growth in grain output nationally.

Is it a temporary phenomenon then, due to be quickly reversed by changes of leadership or policies ordered from Peking as happened in both the 1950s with the great leap forward and the 1960s with the Cultural Revolution?

Mr Jia says that this time the policy of allowing the peasants to get rich is here to stay.

"After 1949 we had very little experience of socialist construction and made many mistakes. Now, with so much experience and lessons behind us we realise that practice is the sole basis for judging the true path. The present policies are here to stay and our leaders in Peking are grooming successors who will carry out these policies."

Most of the 100m people in Sichuan are probably hoping he is right.

Anthony Robinson

Sad fate for owl and pussy cat

Canton

ANTHONY ROBINSON

THE OWL with a string on his leg and the pussy cat tied to the cage were not about to sail away in a beautiful pea-green boat, although there are plenty of those on Canton's hustling Pearl River. They were waiting to be eaten. So were the sacks of jumping frogs, the tubs of gasping carp, the dried snake and the deer antlers to revive the flagging energies of ageing men.

Virtually every creature which moves or any vegetable which grows in the lush, irrigated paddies of sub-tropical Guangzhou province finds its way into the ingredient book of Cantonese cooking, surely among the most inventive and delicious known to man.

They are all to be found in abundnance in the maze of narrow streets thronged with shops, small factories and market stalls which lie behind Shamian Island, the boomerang shaped enclave connected by two bridges to Canton proper whose now overcrowded and decaying mansions were once home to Canton's wealthy foreign merchants.

After 30 years of varying degrees of xenophobia Shamian Island is home again to a large foreign community, although mostly of a more transient nature. They are the guests of the 28-storey White Swan hotel which offers superb views along the Pearl River, and a marble lobby, complete with birds in a gilded cage and a waterfall three storeys high.

Hugh Routledge

Wooden junk boats at the mouth of the Pearl River. For all its bustle Canton is still very much a 19th century town

Prosperous

The White Swan is the latest and grandest of a rash of large luxury hotels financed by Hong Kong money now rising with great speed in one of China's most prosperous and dynamic provinces. They are tangible evidence of the way in which many rich Hong Kong Chinese are rushing to invest their money and skills in Canton and the four special economic zones close to Hong Kong and to present their bona fides to Peking as 1997 looms closer.

The White Swan is now home to BP, Esso, Occidental Petroleum and together with the other new hotels under construction is one of the tangible signs of the new prosperity which is expected to turn Canton into a boom town if the offshore oil exploration now under way strikes it rich.

But to thousands of local Cantonese, invited to these hotels by their visiting relations from Hong Kong the marble foyers and gilt plush are the ideal backdrop for happy family snaps. The scene offers a vision of what lies ahead if the "four modernisations" policy continues into the future.

For all its bustle however Canton outside the air-conditioned splendour of the hotels is still very much a 19th century town with wooden junks playing between the ferry boats and cargo ships crowding the Pearl River and handsome European style stone buildings lining the waterfront.

It has always been a trading centre rather than an industrial city, although as the population of the city and its new suburbs has risen to around 5m the textile, light engineering and food processing industries have grown with it. Twice a year, in April and October, the city plays host to China's biggest international trade fairs.

The dynamism and business acumen of the Cantonese has a long history—and there are many who believe that Hong Kong itself is the greatest example of what the Cantonese are capable of, given the right conditions to use their talents to the full.

Peking is far away, and traditionally little love has been lost between north and south. But Prime Minister Zhao Ziyang was himself one of the so-called "northern cadres" who moved into key political positions in Canton after 1949 and he is believed to maintain a close relationship with the city he helped rule for 15 years before his disgrace during the cultural revolution.

In those days Zhao was a hard man. He was encharged with the task of overseeing the agricultural reforms of the immediate post-civil war period, a policy which largely consisted of expropriating the old landlords and redistributing the land to the peasants. Zhao was credited with coining the slogan "blood shall be shed in every village," a chilling reminder of the harsh and ruthless polities which accompanied the establishment of communist party power and its desire to strengthen its control by making every village share the complicity of guilt.

As the province closest to Hong Kong, whose population is largely made up of former refugees from this area, Guangdong's future is in many ways closely bound up with China's plans for resuming sovereignty by 1997. This could prove to be a mixed blessing for Peking.

For years Hong Kong has exercised considerable influence over its immediate hinterland, not least through the radio and television programmes in the Cantonese language which can be picked up over a wide area.

This has given the inhabitants of Guangdon province access to news and views denied other Chinese, in much the same way that West German radio and television give access to an alternative way of life for millions of East Germans in that divided country.

Partly no doubt because of the resulting familiarity with the higher living standards and greater freedoms enjoyed by the inhabitants of Hong Kong the Cantonese have enthusiastically embraced the new economic freedoms of the past five years.

Indeed there must be a nagging concern in Peking in case the absorbtion of Hong Kong into China after 1997 might in the end see the free-booting philosophy of Hong Kong prevail over the more strait-laced official doctrine.

The association with Hong Kong and the traditional outward-looking mentality of the Cantonese also have their seamier side in allegations of municipal corruption and widespread smuggling.

Over 30 people have recently been executed in Canton for a variety of violent and "economic crimes" and graphic posters pasted on walls around the city show—in cartoon form as well as in Chinese characters — some of the specific criminal activities of the region.

Smuggling

One shows in a series of drawings how five young men and two young women were caught by a PLA naval patrol smuggling people into Hong Kong and contraband out. They then overpowered their captors and threw them overboard only to be arrested as they sought to make a get-away by motorbike. Accompanying photographs show them at their trial bound arm and leg and with heads hung low.

But they were only small fry. Smuggling, corruption and other side-effects of the new prosperity allegedly occur on a much greater scale covered by a network of political protection.

The emphasis recently placed on punishing criminal activites of all kind reflects fears among the leadership that such activity provides ammunition for the many old-style cadres who feel threatened by the new emphasis on economic incentives and the kind of devolution of decision making which accompanies it.

As such the draconian measures now being applied are seen as part of the price to be paid to forge on with the current economic policies.

Importers must be prepared for long hours of research and travel before finding a suitable partner

The helps (and hindrances) of decentralisation

Trading partners

JUDITH LUBMAN

THE FACTORY was sevan hours by van over bumpy mountain roads from Hangzhon and, when we arrived we were told we were the first Westerners to visit in many years. The hotel was so new that all the plumbing hadn't been connected yet. However, the factory management was enthusiastic about using importers' specifications to manufacture glassware for western markets, so the long trip seemed worthwhile.

Foreign importers of manufactured products have new opportunities—and new frustrations—thanks to the decentralisation of China's foreign trade apparatus which began in 1978. Direct contact with factories has become possible to a degree unprecedented in trade with the People's Republic, but developing genuinely successful opportunities can still be thwarted by some of the problems which decentralisation was intended to solve.

Before 1978, importers dealt mainly with the Peking head offices of the branch offices in China's major trading cities (Shanghai, Tianjin, Canton) who acted on behalf of inland provinces, without having direct access to the manufacturers. Most business was done at the bi-annual Canton fairs, which the manufacturers rarely attend.

Importers have long thought it necessary to have greater access to factorіes in order to make Chinese exports more sellabla in major western markets. In the past, both the corporations and the factories were ignorant of foreign markets. Chinese trade bureaucrats, unaccustomed to dealing with western consumer's whims, sometimes expressed distaste for the decadence that seemed to be associated with changing styles.

Authority

Bureaucrats and factories alike were usually content to continue exporting whatever western-type goods had been produced, in the past, as well as Chinese-type goods intended for purchase by overseas Chinese, which are often not to the taste of other overseas consumers.

China's leaders, after the overthrow of the Gang of Four, reorganised the system. The authority of the branch corporation was increased and the inland branches were allowed to conduct their own business. Some ministries established trading corporations, a few major factories were given authority to deal with foreigners directly, and importers' access to factories was generally encouraged.

Sometimes the new decentralisation reforms were counterproductive. The smaller, inland branches, who bed resented relying on the major cities, began to compete with one another and freqnently caused severe market disruption—something which had generally been avoided when there was more centralised control. One commodity noticeably affected in the U.S. was canned mushrooms.

Before 1978, canned mushrooms were not exported to the U.S., in part because the traditional tin sizes suitable for other customers did not meet American standards. Peking was anxious to capture this lucrative market and so urged factories to maka new tin sizes. Selected importers were invited to the factories.

Decentralisation spurred the provinces to obligo but also made them so eager to sell that American domestic prodncers and importers of Taiwan mushrooms accused China of dumping.

Such disorders did not escape the notice of Peking, and finally, as in the case of so many economic reforms in the Soviet Union and eastern Europe, decentralisation was followed by partial recentralisation.

Head offices are trying to reduce competition among branches and have regained control over some commodities. Under today's system, the branches retain much of the authority they were given, as do a few factories, and importers can still seek out factories with which they can negotiate directly (but in the presence of corporation representatives) to change old products or develop new ones for their partieular markets.

Much, however, continues to depend on the foreign trada corporations. Usually, they choosa which factories they will bring to tha attention of tha importer. At the Canton Fair an importer has the opportunity to compare products from different factories for quality but the corporations may heve their own ideas, not only about which factories are best suited, but which ones they would like to see improve. These may not be the same. The sophistication of the corporation personnel varies.

Even if the importer can get introduced to the most suitable factory, much will depend on the willingness of the factory manager to co-operate. Much, too, will also depend on tha quality of the relationship between corporation and factory. The process of pairing off between importer and Chinese enterprise may take some time, and involve e considerable amount of travel around China by importers.

Profitable

Once they have agreed to co-operate, they must negotiate about product specifications, standards of quality and, of course, the price. They must also hope that by the time the Chinese factory overcomes start-up problems. demand and market price will continne to make the transaction profitable.

Hand-blown glassware illustrates some of the problems. Until five years ago tha principal Chinese manufacturers were small factories producing out-dated styles which were sellable mostly to Anstralia and New Zealand, but not to the U.S. and Western Europe.

Although China has all the raw materials and labour power necessary to support a larger glassware industry, factories were unenthusiastic about changing their products. Also, two years are needed to train new workers to engage in a demanding skill under difficult conditions. To make matters barder for the importer, the factories are scattered all over China, and are usually in remote places.

In order to develop hand-blown glessware for the American and European markets, repeated discussions were necessary with a number of branches of the corporations. Visits to a series of factories were than required in order to ascertain which ones produced high-quality prodncts and were also enthusiastic about co-operating with the importer to develop product and packaging for new western markets.

Some products which are now being exported successfully to the U.S. and Western Europe were developed after years of trial and error. However, new challenges have appeared to give beadaches to importers and to the Chinese factory managers who are their partnars.

Since the initial contacts in 1978, changes have occurred in fuel costs and Eastern Europe can sometimes undersell the Chinese prodncts. Technical improvements in the West European machine-made glass industry, coupled with the strength of the U.S. dollar bave also made products manufectured by that technique more competitive.

Preferences

Other problems may be esused after a Chinese factory manager finds that his new product is selling well: he may want to increase his output without further changes and with little understanding of tha volume of goods which the market can absorb.

The importer must explain that changing economic conditions and style preferences require further changes, if not a continuous process of adjustment, familiar anough to western managers but vexing to their Chinese counterparts.

In the meantime, the Chinese foreign trade system has not remained static. Peking continues to try to recentralise control over export of some products in order to avoid market disruption of the kind that spoiled the market for Chinese mushrooms.

In addition, the Chinese are forming foreign joint ventures ebroad to assist in marketing Chinese products, and the trade corporations have also been increasing tha number of the representatives which they have stationed abroad.

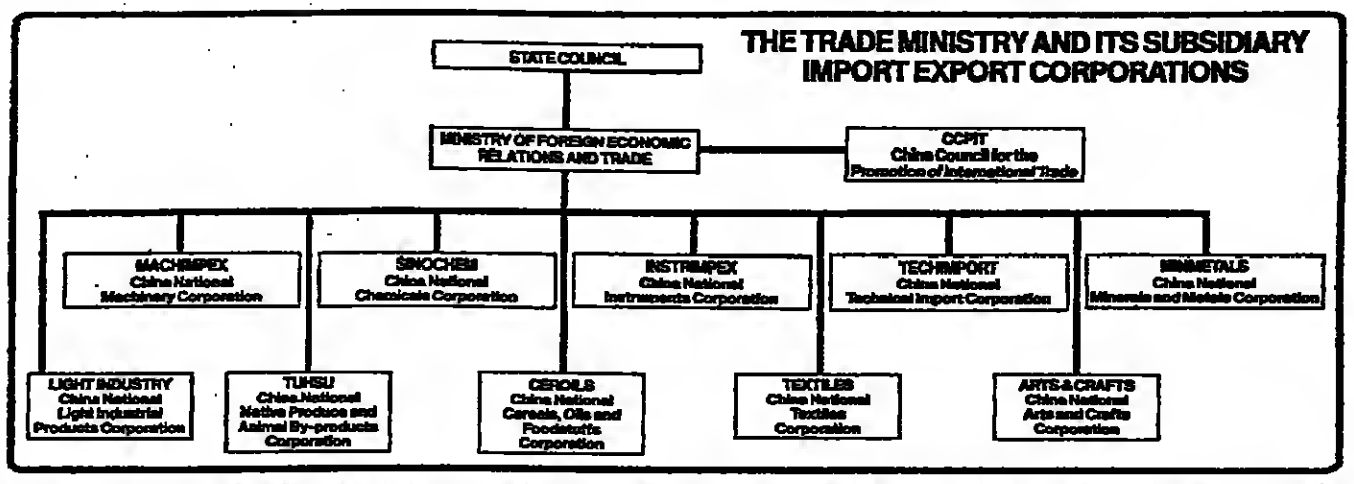
Unfortunately, these representatives are often too far away from factories to be effectiva in tailoring products to importers' specifications. There is still no substitute for those long trips to China.

Judith Lubman is president of Lubman and Company (San Francisco and New York), Agents, representatives for importers from China.

Picking a way through the maze

Trading organisations

ADAM WILLIAMS



THERE ARE more opportunities for business with China today now that the country is moving out of the period of economic readjustment than at any time since 1978. Big projects are being planned in tha energy field—particularly in the coal and offshore oil sectors. China's railways are being expanded, its ports improved. In line with the national goal of quadrupling production by the year 2000, state commissions, Ministries, trading and industrial corporations and provincial bureaux are identifying thousands of factories and enterprises needing modernisation by using foreign technology and equipment.

For the businessman seeking to penetrate the market it is increasingly difficult, however, to identify the right organisation with which to negotiate.

In the 1950s China inherited from the Soviet Union the centralised system of state trading corporations under the Ministry of Foreign Trade. The mechanism for selling to China was then relatively simple.

There was little contact with the provinces, rarely with the end-user. The giant trading corporations—usually known by their initials MACHIMPEX, MINMETALS, SINOCHEM, etc —would be commissioned by the relevant industrial Ministry to secure whatever items of equipment or plant were required. Negotiations took place at the Canton Trade Fair or et e similar restricted venue. The foreign company would sell into a vacuum. After-sales service was unheard of. It is only today that many companies which sold plant in the sixties are discovering where in the country it was installed.

In the seventies visitors to China were sometimes allowed to visit selected factories, works and hospitals. Contacts were made with Chinese professional societies. It was not until 1979, however, that there were signs that the monopoly of the state trading corporations would be broken.

Competition

The first Ministry of Machine-Building (later re-named the Ministry of Machine Building Industry) set up its own trading corporation, the China National Machinery and Equipment Import Export Corporation, apparently in direct competition to MACHIMPEX. For the first time foreign businessmen could deal through this corporation with engineers and technicians directly involved in production. It also meant that the industrial Ministry, through its subsidiary corporation, could sell its products directly abroad and be abla to keep a proportion of the foreign exchange remitted. Possibilities for flexible forms of trading—joint ventures, compensation trade, etc—were also created.

Other Industrial Ministries followed suit. The China Aerotechnology Import Export Corporation was established under what is new tha Ministry of Aviation. The China Northern Industries Corporation was set np under the Ministry of Ordnance and the China National Electronics Import Export Corporation undar tha Ministry of Electronics Industry.

Ministries responsible for the development of resources have also clarified tha channels through which to deal with foreign companies. The Ministry of Coal Industry has set up the China National Coal Development Corporation and there are separata corporations for developments in southwest and north-east China. The Ministry of Petroleum Industry has two major corporations, one for onshore and one for offshore oil. A patrochemieals corporetion has also been set up.

Tha move is now towards the creation of increasingly specialised corporations, oftan integrating plants in separate areas into a singla production plan or co-ordinating the work of corporations already in existence.

There are corporations which provida services such as consultancy (though perhaps not in terms generally understood in the West). The China International Trust and Investment Corporation, China's nearest equivalent to a merchant bank, was established to initiate projects and joint ventures and to find sources of foreign funds.

The businessman arriving in Peking today has a wider choice of contact among the central trading corporations than ever before. That is all very well if the project in which he is interested is being handled by the centre. Since 1980, however, powers to conduct foreign trade bave been granted to provinces, municipalities, even in some cases to individual plants (when they form a self-sufficient and economic unit as the Anshan Iron and Steel Works in Lieoning, for instance).

Guangdong end Fujian provinces have been granted permission to condnct trade within tha limits of their available foreign exchange. Shanghal has elearanca to sign daals with foreign companies to the sum of US$10m. For other provinces tha figure is US$3-5m. Within these limits provincial organisations are free to negotiete daals indapendently of central control (as long as they do not confliet with the state five-year plans).

Independent

Besides trading organisations set np by the province itself, provincial branehes of central corporations can also negotiate independently.

For the general trader this has meant that tha market has been opened up to a considerable and sometimes confusing extent. He has found himself in a position where very often he can play off one provincial branch against anoth-r.

The "responsibility system," as far as the Chinese Government is concerned is beneficial in that it widens the scope and incentive for economic development—but it has also led to conflicts between local and national interests.

This is a matter of concern for the State Council. Certain restrictions of regional autonomy have had to be re-imposed but the problem has not been aliminated.

For example, as offshore development accalerates in tha South China See there has been considerabla confusion as to which organisation will control the apportioning of valuable service contracts. Guangdong province is anxions to get as large a shere as possible. A service corporation has been set up specifically for this.

National organisations with expertise in specific areas are meanwhile competing for the same contracts. The foreign company which intends to set up a joint venture often finds itself sitting on the fence undecided which of the many organisations to approach.

It is foreseeable that similar conflicts of interest will occur in other parts of China, when an industrial centre such as Shanghai, for example, develops its autonomy.

The businessman approaching China today — for all the increased options open to him—must be increasingly alert to the potential confusion of interests between central and provincial organisations, and pick his contacts carefully. There is ample material in this country for initial research. The companies which have done their homework before they visited China have usually found the exercise rewarding.

Adam Williams is Editor and Head of Research of the Sino-British Trade Council.

Modified framework lacks consistency

Law for foreign investors

ANTHONY DICKS

TO MOST businessmen with an interest in China the special foreign investment laws enacted in the past four years are notable chiefly for what they omit. To the Chinese, the adoption of the "open door" policy as one of the ingredients of the four modernisations required a revolution in political and legal thinking.

It was no accident that the "lew on jnint venture enterprises involving foreign investment" took its place alongside the "criminal code," the "law on criminal procedure," the "electoral law" and the organisational laws of the courts, the procuracy and the local people's congresses as one of the "seven important laws" promulgated on July 1 1979, to be studied by the population as a whole.

The clear message, restated on numerous occasions, is now enshrined in a special provision in the 1982 constitution: foreign investment, under proper control, has its own legitimate place in the new Chinese legal system.

As is so often the case with laws which are designed to have as much symbolic as practical significance, the joint venture law raised more questions than it answered.

With the enactment of legislation on such subjects as tax, exchange control and business registration and the evolution of consistent policies by the Government, a framework of law and practice specially applicable to foreign trade and investment is gradually emerging and some of the more immediately practical qnestions have been answered, though not always as clearly as might be expected. Most recently, it is reported that a new set of detailed regulations for the implementation of the 1979 joint venture law have been adopted.

The more fundamental questions which trouble many potential investors still remain. How stable are the new institutions? How reliable are the legal concepts which underlie them? Above all, what sort of justice can a foreign investor expect to receive in the event of a dispute with a Chinese partner, or with the Chinese Government?

These are questions which cannot yet be answered. Even if the political imponderables of the next decade are left to one side, the most that can be done to protect the investor from uncertainty is to provide in the contract for all the possible contingencies which the draftsmen can anticipate. Many foreign companies also feel more secure with contractual provisions for the arbitration of investment disputes in third countries, a device usually acceptable to the Chinese partner, at least in the case of major investments.

Such arrangements cannot insulate the foreign side from possible confrontation with the Chinese legal system. The tax bureaux and numerous other administrative bodies are not within the scope of arbitration clauses.

The low ebb to which the legal system sank in the cultural revolution period, when the courts end the legal profession came under attack, law schools closed and the flow of legislation reduced to a trickle, has been blamed by the present leadership for many of China's current social and economic difficulties. Now, the country once again has all the appearances of a comprehensive legal system of the kind familiar in other communist countries. The courts ere open once again, the Ministry of Justice and the procuracy heve been re-established and ever increasing numbers of people are being trained as judges, lawyers and notaries.

Moreover, people are being taught to use the law. Managers of factories and other enterprises are being trained not only to appreciate to make proper contracts but also to enforce them or to expect them to be enforced. The general public, from primary school children upwards, are being regaled with books, newspaper articles and nther propaganda.

Public order

The principal emphasis, both as regards legislation and the activities of the courts, has been in two areas—public order (a major victim of the cultural revolution) and economic law, the Chinese term for an amalgam of civil and administrative law functionally equivalent tn the commercial laws of capitalist countries.

On the criminal side the law has been applied with determination and, by Western standards, ferocity, judging by the recent reports of large-scale executions.

However, the idea that senior nfficials, particularly members of the Communist Party, shoulo be subject to criminal as well as to party disciplinary sanctions is meeting with great resistance from the well-entrenched local bureaucracy.

The enormous effort made in recent years to stimulate the economy has required the re-introduction of a framework of civil and commercial law remarkably similar in some respects to that of the Western capitalist world.

The most notable milestones thus far are the "Law on Economic Contracts" of 1981, and the experimental "Law on Civil Procedure" of 1982. They have been buttressed by the establishment of a hierarchy of economic chambers within the people's courts throughout the country and a system of arbitrai tribunals for the settlement ot disputes between enterprises.

There are, however, numerous other important new laws in the economic and commercial sphere, though they are for the most part little noticed outside China.

One nf the weaknesses nf the Chinese legislative system which has been apparent since 1949 is the tendency of individual ministries to prodnce highly specialised statutes to meet their own immediate and particular needs, at the expense of consistency and principle. Some of the difficulties nf this approach have been reduced by the introduction of a special consultative unit under the State Council to assist in the formulation of economic legislation.

What is still lacking, however, is an all-embracing hierarchy of legal concepts within which particular rights and obligations can be formulated in such a way that their operation and interrelation are reasonably consistent and predictable.

Clear definition is particularly desirable in property law, where the overlapping and often competing interests of the state enterprises, the collectives and the newly revived and epparently thriving individual economy (to say nothing of foreign investors) inevitably intersect.

For those foreigners who have to concern themselves with Chinese law, this gap will not be filled until the long promised civil code (already operating in draft form on an experimental basis behind the curtain of silence which masks much of the legal system) is promulgated.

The lack of certainty which foreign businessmen feel abont the Chinese legal system should not be allowed to obscure the significance of what has been achieved in the last four years.

The massive expenditure of effort and resources nn the re-establishment of legal institutions, preparation of legislation, training of personnel, legal publishing, research, and above all propaganda, suggests a serions resolve to establish a sophisticated legal system.

WORLD BANK–FINANCED PROJECTS IN CHINA

Sector	Number	Source of finance	Date of maturity	Grace period	Interest rates
Agriculture	2	IDA	2032	10 years	None—0.75 per cent service charge
Development finance	1	IDA plus some IBRD funds—see below for terms	2032	10 years	None—0.75 per cent service charge
Education	2	IDA plus IBRD	2032	10 years	None—0.75 per cent service charge
Land reclamation	1	IDA plus IBRD	2032	10 years	None—0.75 per cent service charge
Onshore petroleum	2	IBRD	2002	5 years	Currently 10.47 per cent but revised every six months
Transport	1	IBRD	2002	5 years	Currently 10.47 per cent but revised every six months

IDA—International Development Association, the World Bank'e aid loan affiliate.
IBRD—International Bank for Reconstruction and Development, the World Bank's normal loan arm.

Competition keen but stakes are high

World Bank finance

NICHOLAS LUDLOW

ABOUT 30 projects worth approximately $3bn in foreign exchange commitments are being planned for China at the World Bank—enough to rivet the attention of any export manager for the foreseeable future.

Since China rejoined the World Bank in May 1980, commitments epproved for the nation of 1bn people have totalled $986.5m, major loans averaging $106m each as of end-September 1983. Future World Bank China projects will be as large.

For marketing managers, these figures represent large numbers nf sizable contracts for items like computers, vehicles, and oil-drilling equipment. The common denominator for most of these sales is "international competitive bidding" (ICB).

Early on, China discovered that ICBs pay off. Competition was so keen that the Ministry of Education sliced $15m off its budget for the first round of bidding in the first World Bank education project, paying out nnly $65m against an $80m allocation.

Government agencies have become increasingly co-operative in providing economic statistics, after discovering that project preparation could be speeded up.

To optimise the net-present-valne of dollars committed to projects, which, even though they are from the World Bank on excellent terms, are still borrowed, China is doing all it can to ensure that money is disbursed as soon as possible after a loan is approved. Measures inclnde:

● rapid construction of sometimes massive civil works relating to projects, such as canals on the north-China plain.

● publication of general procurement notices prior to board approval to permit early invitations for bids (IFBs), plus edvance bid document preparation.

● bid timing that is completed before e loan becomes effective, thus permitting immediate disbursement of funds after they become available.

● Fast, thorough bid evaluations over two to three months, less than the time many other developing nations take.

MARKETING STRATEGIES FOR CHINA

Faced with the size of the development bank market in China, marketing strategy must be carefully tailored and consciously competitive. Some key pointers:

INITIAL STEPS

Start marketing early. As soon as a project is identified (through the World Bank's Monthly Operational Summary or the confidential reports of ITMA, 1735 Eye Street, NW, Washington, D.C. 20006, USA) start marketing efforts. Preferably include a visit to China or appointment of an agent there. Once product potential is established:

● send all product literature to procurement officers at the ministries and agencies involved, as well as to all the institutions involved throughont China.

● participate in related exhibitions prior to bidding

● keep track of the evolution of the project.

MARKETING

Consider these:

● How will the type of bidding (six types) affect your strategy? For example, on one project, small quantities and certain specialised supplies aggregating $6m can be bought directly by Chinese officials without competitive bidding.

● Can you bid from the inside, with a Chinese entity, benefiting from the World Bank's 15 per cent preference for bids from domestic manufacturers?

● Can you arrange technology transfer ahead of time that will provide a long-term competitive edge?

● Can you provide what is necessary? Something *good*, *cheap* and *reliable* is regarded as often more appropriate than a few units of highly sophisticated equipment.

● Are you educated about the processes involved in World Bank projects?

PRICING

In other words, competitive pricing is a key issue. Indeed, if prices are too high, bids may be thrown out and the process begun again.

The lowest evaluated bid, however, is not necessarily the lowest price. Services, training, maintenance and other factors are often taken into eccount and must be borne in mind.

Future Prospects

The following World Bank projects, estimated to cost $1.5bn, are expected to come up to bid during the next 18 months.

Agricultural Education — Support to agricultural colleges and possibly technical schools, non-formal agricultural education, and planning.

Agricultural Research — Upgrading nf selected crop-specific and regional research institutes and extension stations.

China Investment Bank (CIB) —Lines of credit for medium- and small-scale industry, and institutional development.

Forestry—Timber prodnction in selected provinces, planning and possibly forestry education and research.

Luan Coal—Development of one fully mechanised long-wall underground mine of up to 4 mtpa in Shanxi Province.

Lubuge Hydropower — Construction of rockfill dam, tunnels, and underground 450 MW powerhouse in Yunnan.

Medical Education and Rural Health—Strengthening of teaching in medical colleges and of rural health services in selected provinces.

Petroleum (Junggar Basin) — Exploration, heavy oil cracking, liquefied petroleum gas and technical assistance.

Railways — Construction, upgrading and electrification of track in Henan, Shandong end Shanxi Provinces, and assistance to electric locomotive factory for production of locomotives.

Rnbber Development — Replanting and new planting of 35,000-40,000 ha in Guangdong Province.

Rural Credit — Provision of credit for agricultural and other rural activities in selected provinces.

University Development — Strengthening selected technical universities to expand the quantity and improve the quality of science and technical graduates.

Preliminary discussions are now being held for projects beyond fiscal 1985. Through 1987, agriculture, education, energy, industry and transportation sectors will continue to be the focus of World Bank lending in the PRC.

Nicholas Ludlow is managing director of International Trade and Marketing Association, Washington DC, U.S.

Profile: Jing Shuping

On the western wavelength

JING SHUPING, the silver-haired executive director of the China International Trust and Investment Corporation (CITIC) is a gentleman. Like his father, he was educated at an English public school in Shanghai way before liberation and still remembers with affection his first English lady teacher.

His latter education was not so genteel, however, and included a two-year stretch boeing vegetables. That was during the cultural revolution when he, and millions like him, "received an education from the peasants."

Many were embittered—and some enlightened—by this exposure to the hardships of rural life. For Mr Jing "it was a good experience to stay in the countryside." He says it without any apparent trace of bitterness nr irony.

Now, as executive director of CITIC, Mr Jing cultivates a different row—the lengthening line of foreign businessmen and bankers seeking investment or lending opportunities in China. In Mr Jing—by his own slightly self-deprecating admission—a "national capitalist" by origin and in his boss, the chairman Mr Rong Yiren, foreign businessmen will find men operating to e large degree on their own wavelength.

This is not always the case in China where the years of political obscurantism and the inevitable provincialism born of limited education and little opportunity to travel blend with often maddeningly time-consuming Chinese methods of negotiation.

Frustrations

It was to facilitate direct contacts with western and Japanese business and finance and ease these frustrations that CITIC was set up in 1979. One of its primary functions is to act es a kind of merchant bank—hunting around for what Mr Jing calls "advanced and eppropriete technology" and the foreign partner willing to transfer technology and know-how and where feasible to enter into joint-ventures with Chinese enterprises.

"We are interested more in technology than money and more in software—including advanced management techniques—than in the herdware itself," Mr Jing emphasised.

Up to the end of August CITIC had helped set up 22 joint ventures in China proper and a further 61 in the new economic zones. On its recommendation the Government is preparing more favourable tax incentives—including a five-year tax holiday for joint ventures with a planned life of over 10 years—and removing other barriers pointed out by foreigners deterred by existing law.

The former punitive tax rates on leasing operations have also been changed so that tax is now levied only on the service income and not the equipment cost component too, as formerly. CITIC itself is active in leasing—having helped supply equipment worth $56m to 160 Chinese companies last year as a 25 per cent shareholder in China Leasing.

Mr Jing admits that negotiations on setting up joint ventures can be a lengthy business. But, as he explains: "We feel we must do more homework, including market research and feasibility studies, before we agree to joint ventures and we like to work together with our potential partners on these so that we get to know each other better before signing the eventual contract."

CITIC is organised very much like a Western corporation—with e board of directors and powerful shareholders like the Bank of China and the China national offshore oil corporation CNOOC who are also organised in this way.

Distortions

In future, Mr Jing says, this will be the standard form of management and company organisation in China. Furthermore, he adds, much work and study is currently being expended on a reform of the pricing system to phase out subsidies and price distortions and move towards a more rational pricing system based on actual costs and international comparisons.

The open-minded managers of Mr Jing'e mould who run CITIC and hold top positions in other economic policy bodies have also strongly supported the devolution of economic decision making to the major provinces end industrial centres.

Shanghai and Tianjin for example, now have the authority to approve joint ventures of up to $10m, Peking and Liaoning province up to $5m while the two provinces with most special economic zones—Fujian and Guangdong—have carte blanche, provided the new facilities can use existing transport and other infrastructure facilities without requiring new investment by Peking.

Mr Jing's jaw dropped slightly however when asked whether CITIC and other corporations had worker representatives on the board. "Worker representatives," he mused as if it was the first he had heard of such e notion but came back smartly with the brilliant formula "in China we are all workers."

It also transpired that CITIC's doubts about the well-known strike-happiness of Australian miners have contributed to a lack of decision on direct Chinese investment in Australian iron mines. Negotiations between CITIC and Canadian pulp companies for a CITIC equity stake are forging ahead without such fears.

Meanwhile to finance its overseas operations CITIC has already made a 10bn yen bond issue in Japan last year and is now about to issue $30-35m of investment trust certificates aimed at overseas Chinese and Hong Kong investors. CITIC's motto appears to be—if you cant' beat 'em, join 'em.

Anthony Robinson

Before joint ventures are set up tough bargaining talks with the Chinese are necessary

PROFILE: JOHN DEERE IN CHINA

Showpiece on the farm pays dividends

TO DO business with China, says John Deere, the U.S. agricultural equipment company, you have to be prepared for the long haul. Deere, based at Moline in the American mid-West, has not been as noted for its international ambitions as other North American farm machinery producers over the last decade. But it has approached China with almost a crusading fervour.

It owes this enthusiasm to its former chairman, Mr William Hewitt, who was appointed U.S. ambassador to Jamaica after his recent retirement. Mr Hewitt felt that President Nixon's historic visit to China needed to be backed up by investment and commercial contact. He immediately seized the opportunity to visit China himself, and became chairman of a group of American businessmen seeking to strengthen trade links between the two countries.

Arduous effort

Progress after the initial political breakthrough was slow. "We got into China by arduous effort," says Mr Neil Hall, vice president in charge of international operations. Deere executives made innumerable visits in the wake of Mr Hewitt it was not until 1978 that the company took part in its first project, the mechanisation of a model state farm in north-east Manchuria.

The project was clearly very important for the Chinese, who only a few years before had started to buy grain from the U.S. to compensate for their own food shortages. It brought virgin land into production in a part of the country where the growing season is so short that traditional manual farming methods had always failed. The answer was to create vast units using very large mechanised equipment that allowed both rapid sowing and harvesting.

Deere's unit was 200,000 acres—a giant even by U.S. standards. The company was responsible for all the mechanisation on the project, and it put in an intensive effort. "Wo have pnt far more service and product support into it than the return on sale could compensate us for," says Mr Hall. "But if you are introducing yourself into any country, you are going to have more expense than return."

In farming terms, however, the result was satisfactory. Yields on the Manchurian farm have exceeded expectations—in good weather, not far short of what would be expected in small grain European production—and it has become something of a showpiece.

"The deal was very satisfactory from the standpoint of getting our name and machinery in front of the Chinese," says Mr Hall. As a manufacturer with an extremely broad range of prodncts, the farm was also the ideal way to display the company's all-round strengths.

Deere has built on this exposure and experience to win a further contract for a combine harvester plant. The Chinese have been licensed to make the company's range of smaller harvesters which are currently produced in its West German plant. The agreement was signed in 1981 and runs for five years.

Deere says this deal will be profitable and mutually satisfactory, though the company "could not survive on that alone." It is also accepting some payment in kind—the U.S. company will receive a mixture of cash and components mado in China to Deere's specification for its own machinery. "We have been very careful to choose components which are satisfactorily made with Chinese materials."

The Chinese, says Mr Hall, have proved to be skilful negotiators who do an intensive job on technology evaluation. "That part of it is very hard." But once an agreement is concluded they hold to it to the letter and do their utmost to make it work.

In the case of Deere, for example, there have been significant problems in converting the technology to suit local needs and the materials available. The labour force also has different skills and ways of working. All this requires time and a big educational effort. Deere has had many Chinese over for training either in its cluster of plants in the Mississippi Basin or its combine manufacturing unit in West Germany.

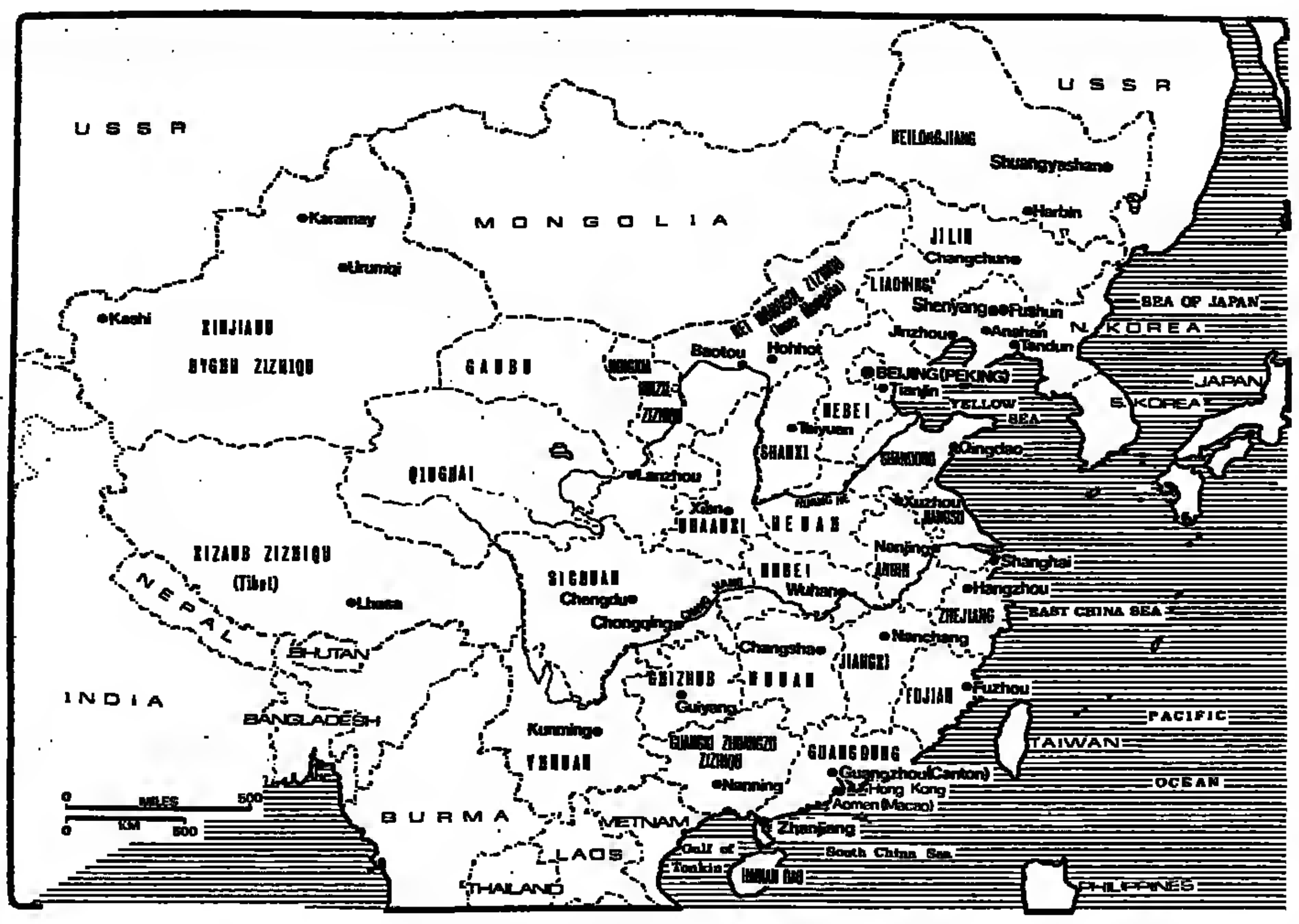
Prototype

Now two years into the combine project, the Chinese are just at the stage of testing a prototype made in their own plants using the transferred technology. They seem pleased with the progress, Deere says, although back home in the U.S. the company would probably regard this speed of development as unsatisfactory.

Deere believes this stolid approach should bear dividends in the long run. The Chinese have opened a new round of bids to increase their range of agricultural equipment with large combines, tractors and other products.

Competition will be tough, with bids coming in from all over the world. But Deere feels that it has jostled itself into a better position than some of its rivals. "Wo feel we now have a bit of experience in China, and that that will hold us in good stead in technology projects," says Mr Hall.

Terry Dodsworth



PROFILE: PILKINGTON BROTHERS IN CHINA

$120m float glass project

GOOD GLASS is in short supply in China, as anyone who has peered through a Chinese windscreen will testify. But the message comes not just from the motor industry. China'a construction business is deeply involved in building glossy hotels and offices, and float glass is imported in huge quantities.

The demand has generated China'a biggest joint venture with foreigners yet, the $120m float glass plant planned to be built by Pilkington's and a group of Chinese enterprises on the south side of the Yangtse at Shanghai.

The project stemmed originally from a holiday in China by Lord Pilkington in 1977. The Chinese approach to him was followed by a negotiating team at the end of 1979.

Tough talks ensued during the next three years. Finally last March the company signed a joint equity venture with the Yaohua General Glass Works of Shanghai, the China National Glass and Ceramic Industries Corporation, the Bank of China (Shanghai Branch) and Mr Shaul Eisenberg's United Development Industries of Hongkong.

The joint venture is to build and run a float glass plant next to the Yaohua works. It will have a capacity of 200,000 tonnes a year and is due for completion in 1985-86.

"Glass technology already exists in Shanghai, and we expect to have a hundred or so trainees here," says Mr Solomon Kay, the urbane and diplomatic director of Pilkington's dealing with the project.

"During the negotiations we were worried about raw material supplies and about how enough foreign exchange would be generated to pay dividends and royalties. Transporting these huge sheets of glass is difficult too, though by the time the plant is in production the roads should have improved."


Float glass passing under water sprays in a Pilkington plant. A similar system will shortly be installed in Shanghai

The Chinese partners are taking 75 per cent of the equity and the foreigners 12.5 per cent apiece. At its first board meeting (expected to be about November) the joint venture will sign two agreements, one for the licence and the other for technical services, under which it will purchase the Pilkington float glass technology and designs for the plant.

This arrangement is very different to the original proposal. In 1979 discussion ranged round the sale of technology for the float process only. But in July 1980 when the Pilkington team went to Peking to take this further the Chinese said: "We'd like a complete glass line, we'd like to discuss a joint venture, and we'd like to bring in Mr Eisenberg."

Eisenberg's company had been involved with China's first equity venture with foreigners, the Jardine Schindler lift project.

"We said 'fine'," says Mr Kay. "Let's have a joint feasibility study." After a fortnight spent convincing the Chinese this was necessary, Pilkington's experts took up the rest of 1980 jetting to China and back, testing sand and other samples and measuring Shanghai's Yangtse tunnel for truck size. Many hours and much tea were consumed in discussing roads, warehousing and fuel.

Market research was done by the Chinese Ministry of Materials for the Building Industry, which came up with a selling price (based on tho Chinese price for sheet glass) which proved satisfactory. The feasibility study, running to many pages, was finally accepted at the end of 1981 and signed by all partners.

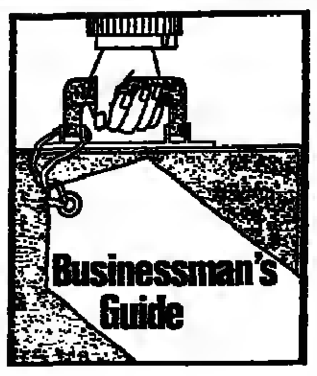
Financing the capital cost is not expected to prove difficult. More than half the expenditure will be incurred in China—by spending on roads, factory buildings and basic fittings. Payment for the foreign engineering equipment will come from the equity contribnted by the foreign partners and the Bank of China, which will also provide foreign exchange loans if necessary.

Much harder was the problem of generating foreign funds to pay dividends to the overseas partners and royalties to Pilkington. "Last year's policy was that each unit should be self-supporting in foreign exchange. That meant that to pay us, the joint venture would have to export glass while Peking was pouring out money importing it," says Mr Kay.

"The Chinese recognised this wasn't sensible. If demand in China for glass remains high, they may find other exports in China to generate the funds.

"For us, the venture's significant," says Mr Kay. "China is the most important area remaining in the world without float glass, and the Shanghai production line will come on stream (in 1986-87) just as some of our earlier licences begin to run out."

Colina MacDougall



Climate

Northern regions (including Peking): Dec-Feb likely temperature range minus 4°C–0°C, some snowfall and dust storms occur; June-Aug likely temperature range 24°C–26°C, humidity generally high; highest temperature and rainfall likely in July.

Shanghai region: summer range 25°C–35°C likely; Dec-March can fall to freezing; humidity generally high; rainfall likely: 1,100 mm/year.

Canton region: March - Dec temperatures usually over 20°C; May-Sept frequently 30°C; Jan-Feb may fall to 10°C.

Time

GMT + 8.

Language

Official / national: Mandarin Chinese.

Others: Cantonese, Tibetan, Mongol, local dialects.

Entry requirements

Passport: required by all.

Visa: required by all.

Prohibited entry: holders of Taiwanese visas.

Notes: exit permits are required (and conformity with provisions regarding departure point, time, etc, is essential) China International Travel Service (LUXINGSHE) should be consulted for independent travel —business travel is arranged through corporation concerned; Israeli, South African, South Korean nationals are not generally given visas.

Health precautions

Mandatory: smallpox; cholera when travelling from specified (generally endemic) areas; yellow fever when travelling specified (generally endemic) areas.

Advisable: anti-malaria in southern regions; piped water should not be drunk.

National Airline

CAAC (Civil Aviation Administration of China).

International Airports

Peking Central (Code: PEK). 25km from city.

Main Ports

Dalian, Gnangzhou, Huangpu, Lianyungang, Oindao, Qinhuandao, Shanghai, Xingang, Zhanjiang.

Hotels

(Tipping is forbidden).

In Peking

Peking
Dong Changan Jie (tel: 552231).
Friendship
Youyi Binguan Haidian Lu (tel: 890621).
Minzu (Nationalities)
51 Fuxingmennei Dajie (tel: 668541).
Qianmen
Corner Yongan Lu/Fufanfi Lu (tel: 338731).
Xingiao
2 Fandi Lu (Chongwenmen) (tel: 557731).
Overseas Chinese Hotel (tel: 558851).

In Shanghai

Jinjiang
Maoming Lu (tel: 534242).
Park International
Nanjing Xi Lu (tel: 225225).
Peace
Nanjing Dong Lu (tel: 246260; cable: 1111 Shanghai).

Taxis

Usually obtainable through hotels; standard rates apply; hirers are generally advised to pay (small) waiting fee to retain taxis.

Car hire

Self-drive not available; standard rate chauffeur driven vehicles available on daily basis, arranged through official guide or China International Travel Service.

Internal travel

Air: CAAC operates regular (often direct) domestic service to main centres.

Bus: extensive local services in main cities.

Rail: extensive network (some single-track; some electrified);

Telecommunications

Telephone dialling for China: through operator. Telephone, telex and telegraph international calls frequently arranged by hotels but also possible through post offices; booking of telephone calls in advance generally recommended.

Currency

Yuan (or Ren Min Piao = People's Bank Dollar) = 10 chiao = 100 fen (currency = Renminbi = People's Currency).

Banks

Main centre: Peking.

Head offices: Agricultural Bank of China, Bank of China, Bank of Communications, China & South Sea Bank, China State Bank, People's Bank of China, People's Construction Bank of China, National Commercial Bank, National Industrial Bank of China.

Banking hours: 0900-1200, 1330-1700 (exceptions: Monday closed; some local variations).

Government and business hours

0800-1200, 1400-1800 (exceptions: Saturday 0800-1200, Sunday closed; some variation possible).

Useful business addresses

China Council for the Promotion of International Trade, 4 Taipinggiao Dajie, Peking (tel: 662835; telex: 22315).

China National Chemicals Import & Export Corp, Erligou, Xijiao, Peking (tel: 890931; telex: 22243).

China National Instruments Import & Export Corp, Erligou, Peking (tel: 890931; tele 22243).

China National Light Industrial Products Import & Export Corp, Dongannen Dajie, Peking (tel: 555680; telex: 22282).

China National Machinery Import & Export Corp, Erligou, Peking.

China National Metals & Minerals Import & Export Corp, Erligou, Zijiao, Peking (tel: 890931; telex: 22241).

China National Technical Import Corp, Erligou, Peking (tel: 890931; telex: 22244).

China Ocean Shipping Agency, Dong Changan Jie, Peking (tel: 553424; telex: 22264).

Chinese Export Commodities Fair, Guangzhou Foreign Trade Centre, Guangzhou.

Customs Administration, Xi Changan Jie, Peking (tel: 556106/5579984).

Ministry of Foreign Affairs, Chaoyangmennel Dajie, Peking (tel: 555831 — information 555505).

Ministry of Foreign Trade, Xi Changan Jie, Peking (tel: 553031).

National tourist agency

China International Travel Service Dong Changan Jie, Peking (tel 554192) or: Overseas Chinese Hotel, Zhushi Dajia, Peking (tel 553509).

Tourist notes: Efforts made to read a guide book before travelling even for a short visit are probably more rewarding in China than almost anywhere else.

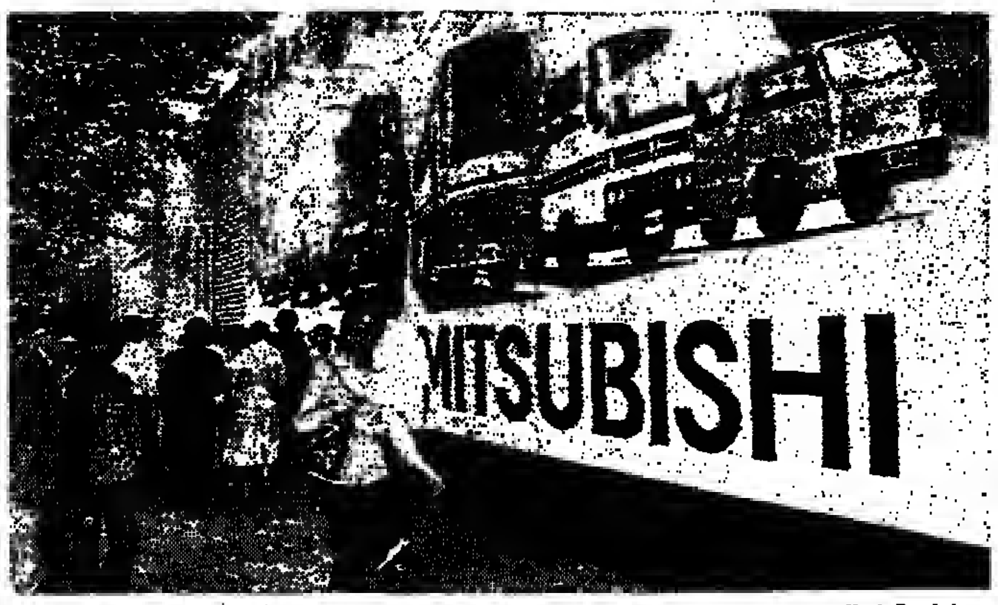
Business Guide information from Asia and Pacific Review 1983, a country by country guide to the region published by World of Information, 21 Gold Street, Saffron Walden, Essex, CB10 1EJ. Tel.: 0799 21150. Telex 817197.

FOREIGN TRADE WITH SELECTED COUNTRIES
(million U.S. dollars)

	1979	1980	1981	1982	1983*
United States					
Exports	1,716.5	3,749.0	3,598.6	2,904.5	1,154.0 (7)
Imports	592.3	1,958.3	1,895.3	2,283.7	1,273.0 (7)
Total	2,308.8	4,807.3	5,493.9	5,188.2	
Japan					
Exports	3,674.0	5,109.0	5,075.0	3,500.0	2,106.0 (6)
Imports	2,933.0	4,346.0	5,283.0	5,338.0	2,410.0 (6)
Total	6,607.0	9,455.0	10,358.0	8,838.0	
Hong Kong					
Exports	82.0	1,249.0	1,964.0	1,939.0	971.0 (6)
Imports	3,021.0	4,401.0	5,271.0	5,397.0	2,540.0 (6)
Total	3,403.0	5,650.0	7,235.0	7,376.0	
West Germany					
Exports	1,493.0	1,145.0	1,017.0	853.0	392.0 (5)
Imports	534.0	808.0	770.0	1,404.0	320.0 (5)
Total	2,027.0	1,953.0	1,787.0	2,257.0	
Canada					
Exports	507.0	742.0	777.0	1,005.0	522.0 (5)
Imports	143.0	132.0	325.0	165.0	74.0 (5)
Total	650.0	874.0	1,102.0	1,170.0	

* Figures in brackets denote number of months covered.

Source: China Business Review



Hugh Routledge
A sign of the times: part of Japan's drive for increasing sales to China

Strong exports boost reserves

Foreign trade

COLINA MACDOUGALL

CHINA HAS an emberrassingly large balance of payments surplus. By the end of August it had reached $13bn, and U.S. officials think it will reach $14.5bn by the end of the year.

Though Mr Ding Ning, General Manager of the planning department of the Bank of China in Peking, said this was merely a "temporary phenomenon," the chances are it will run on for several years. When China comes to borrow from the World Bank and similar institutions, the poorer countries are bound to feel they have a better claim to the funds.

This remarkable situation bas come about through a mixture of unexpected factors. One is, as Mr Wei Yuming, Vice Minister of Foreign Economic Relations and Trade told the Financial Times, that China's exports of agricultural products escaped the effects of the world recession.

Secondly, China's imports from the U.S. and Japan were cut to the point where the rate of increase overall was held to about 7 per cent. Thirdly, (but less important), invisible earnings (on tourism, shipping, bank interest) rose, while the repayment of loans and the drop in interest rates reduced outflows.

China's imports from the U.S. fell in the first seven months of this year to $1.2bn from nearly $2bn in the same period of 1982. This is explained by the row over textiles quotas between Peking and Washington; early this year in retaliation for unilateral American restrictions on textile and garment imports from China, Peking announced it would reduce agricultural purchases.

Although wheat was not originally included in the Chinese ban, Peking's good harvests and ready supplies from elsewhere helped it to reduce wheat imports from $782m in the January-July period last year to only $184m in this. Soyabeans and raw cotton sales were almost completely wiped out.

As for Japan, shipments under the big contracts for supplying complete plant signed in the late 70s came to an end last year. Japanese exports to China fell 30 per ceot, and barely picked up this year despite Chinese buying of rolled steel and chemical fertiliser. Vice Minister Wei Yuming expects the level for 1983 to remain about the same as last year.

Although imports from Europe are well up, they are not high enough to bring Chinese trade back into balance. All the same, Britain's sales of mining machinery and steel helped to push its total for the first half-year to £89m, almost double the figure for the same period last year. West Germany and France, too, doubled their 1982 performance.

A number of significant contracts have been signed this year. These include McDonnell Douglas's $50m sale of two jets, on top of Boeing's deal for 10 planes last December, and Honeywell's $15m contract for 14 computers.

Besides the sales so far by the British company Anderson Strathclyde of mining machinery, there is another under discussion by Gullick Dobson. The general increase in European sales supports the view that the Chinese are cautiously resuming purchases of equipment.

Now that the longstanding rumpus with the U.S. over exports of technology is settled, China will probably turn to American suppliers for the compnter equipment it has not previously been allowed to have.

After the U.S. Trade Secretary Malcolm Baldrige visited China in May lt was announced that new guidelines would be issued which would make it easier for Peking to obtain this. These are thought to set out a whole new category of items which the Commerce Department can licence for export without consulting the Pentagon. China will be put for export purposes in the same category as India and Yugoslavia. Here it will be treated as they are, as a "friendly non-allied" country.

But even so western officials in Peking doubt that the Chinese can continue to up imports at the rate their exports are increasing. The Chinese deny they are in this extraordinary predicameot, pointing to the hnge sums they will have to spend when their offshore oil gets going. But this expenditure, likely to be paralleled at least in part by investment in coal mine development, will not arise for several years.

In the meantime Peking seems to be well aware of the problems it could cause by rapidly increasing imports now. Much as it must long to have the equipment to generate speedy economic development, It is apparently hesitating because of doubts over its capacity to absorb them.

Neither ports, nor transport, nor planning abilities nor technical skills could handle much more than it is buying now. The past effort pnt into increasing exports and tha improving world economy makes it hardly likely that exports would be deliberately cut back. The soonest China could lose its surplus, some observers believe, is 1985, and then only if offshore oil and other projects are soaking up hard currency investment.

CHINA'S FOREIGN TRADE

	1978	1979	1980	1981	1982
Exports ($bn, fob) ...	9.97	13.61	18.10	21.56	21.94
Imports ($bn, cif) ...	11.74	15.69	19.94	21.57	18.94
Total trade (fob/cif)	35.54	45.56	57.00	73.53	77.20
	21.11	29.30	38.04	43.13	40.88
Total reserves ...... (period end, $bn)	4.03	6.08	10.04	10.61	15.90
Of which:					
Foreign exchange .	1.56	2.15	2.26	4.77	11.13
Gold ($bn*)	2.47	3.93	7.78	5.84	4.77
Gold reserves ...... (million fine troy ounces)	12.8	12.8	12.8	12.7	12.7

* Gold valued at current market prices based on IMF period average commodity price indices.

Source: China Business Review

Dipping a cautious toe in foreign waters

Investment abroad

MARK BAKER

IT SEEMED one of the oddest financial stories of the year: China, a developing country with substantial natural resources but struggling with limited funds to modernise its economy, searching overseas for investment opportunities in resources projects?

But since March, when China's Premier, Mr Zhao Ziyang, first confirmed the idea to a visiting delegation of Australian newspaper executives, the proposal has gathered momentum to the point where China is now actively negotiating with foreign companies and drawing up plans for an overseas bond issue that could finance its schemes.

Why? The main reason is that China is anxious to secure long term supplies of raw materials at stable prices for its rapidly-expanding industries. It believes that by taking a share in resources companies in developed countries it can obtain guaranteed supplies of those materials which are either scarce or inaccessible within China, and avoid damaging fluctuations in international market prices.

And there is another incentive, which Mr Jing Shuping, executive director of China International Trust and Investment Corporation (CITIC), puts succinctly. "China's policy is to open its doors to the world. Once we open our door and the more we move into the international market, the more we need to understand the international market."

Mr Jing says that China has already learned a lot about international dealings through trade and the sorts of foreign equity joint ventures which CITIC has been helping establish within China over the past four years. But he believes that by actually participating in companies abroad China can learn invaluable new experience—and that participation, he says, may even involve communist Chinese officials sitting on the boards of some western corporations.

"It is true that by having foreign companies to China we can learn a lot. But there is more that we can learn outside China," he says. "As president Li Xiannian said recently, closed-door autocracy never will come back to China. Our future is in the wider world and we have a lot to learn."

China is now involved in detailed negotiations about investing in iron ore mining in Australia and paper pulp production in Canada. It has discussed forestry investment in New Zealand and is scouting for opportunities in various countries for a stake in fisheries, fertilisers and alumina.

Priority is being given to possible investment in iron ore mining—either in Australia or Brazil. China will need massive supplies of high-grade ore when the giant Baoshan steel works

Participation in companies abroad may involve communist Chinese officials sitting on the boards of some western corporations.

near Shanghai reaches its full production capacity of 6.7m tonnes a year by the end of the 1980s. Its own reserves of high-grade ore are too remote to be a viable source of supply in the short term.

According to Mr Jing, four of tha biggest Australian mining companies—Broken Hill Proprietary, Hamersley, ConZinc Rio Tinto Australia and Colonial Sugar Refining—have sent executives to China in recent months to offer the Government e staka in their existing mining ventures. He says a fifth company, Goldsworthy, has offered to open up a new mine in partnership with China.

Brazilian interests bave also fcllowed up China's interest lo iron ore, but the Australians appear to have the edge. Premier Zhao toured Australian mining areas during an official visit in April and he took Mr Jing with bim for exploratory meetings with Australian mining companies.

China is far from committed to undertaking such investments. But a vigorous debate is under way within various government departments about the most suitable course of action—either investment in an existing mining company or partnership in a new venture.

Mr Jing, who is playing a key role in the deliberations, favours China taking a 10 or 15 per cent shareholding in en existing venture. He says that while Australia's foreign investment regulations would prohibit China taking a controlling interest in a company or an active management role, a board position in an existing company is "a possibility."

The seriousness with which China is contemplating such foreign investments is indicated by the time which has already been spent exploring options and studying financing methods.

A government delegation will visit Canada this month to have further talks on investment in a paper pulp project. It is believed thet other delegations heve alreedy toured South Americe and South East Asia exploring other potential resources investments.

Chine is ln a healthy position to contemplate such ventures as its foreign exchange reserves have swelled to a massive U.S.$13bn. But Mr Jing says the most likely method of financing would be through an overseas bond issue.

He says China has drawn up plans to issue "investment trust certificates" to Chinese living in Hong Kong, Macao and other countries. An initial issue of between $30m and $50m was being contemplated

While the logic of China trying to invest in iron ore mining in Australia at a time of weakened prices and over-supply has puzzled some of the country's mining industry officials, China is planning for the longer-term advantages.

Despite his own enthusiasm for the idea, and the backing of Premier Zhao, Mr Jing cautions that a final decision has not been made and says there are many logistical problems that would have to be overcome before such investments could be carried through.

And there is already one big problem which is troubling the communist leadership as it contemplates a most incongruous plunge into mainstream capitalism: "I have my apprehensions about the unions and strikes in Australie," says Mr Jing. "Some of the miners work only 10 months ont of the year."